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Central Eurasia
SUPPLEMENT

FBIS-SOV-95-013-S *20 January 1995*

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Report on Tajik-Afghan Border Situation, Prospects for Future

954F0738A Moscow KRASNAYA ZVEZDA in Russian 24 Dec 94 p 2

[Article by Vitaliy Strugovets under the rubric "Military Review": "Shots in the Back: Ensuring Tajikistan's Safety, Russian Frontier Guards Are Always Under Combat and Diplomatic Fire"]

[FBIS Translated Text] **Back in October, before the "Agreement on the Temporary Cease-Fire and Cessation of Other Hostile Actions on the Tajik-Afghan Border and Within the Country" went into effect, some observers expressed the opinion that the opposition was using this time only as a respite needed to build up both its combat strength and its ideological and diplomatic strength for more energetic action. Unfortunately, these pessimistic predictions proved to be true.**

On exactly 20 October, the first day that the agreement was in effect, violations of the border and firing on subunits of Russian Border Troops started up again. According to data of the information agency of the RF Federal Border Service, Russian frontier guards were fired upon 21 times in November-December and armed guerrillas violated the border 31 times. RF Border Troop losses during this period totaled 10 wounded and 1 dead.

The opposition's main efforts were concentrated in the Gornyy Badakhshan Axis, attempting to turn this autonomous oblast into its permanent base on Tajikistan's territory. The guerrillas' operations here were so regular and daring that the Russian Border Troops command was forced to strengthen its subunits in this sector by creating a new, Kalai-Khumb Border Detachment. And not in vain. As of today, it is precisely because of this detachment's operations that a substantial group of guerrillas (on the order of 700 people) deployed in Tajikistan's Darvalskiy Rayon was cut off from the Afghan supply bases. It was also right here and in the sector of the Moskovskiy Border Troop Detachment that the most significant operations were conducted to

Principal Axes of Operations of the Intransigent Opposition on the Tajik-Afghan Border

1. Afghanistan
2. Pyandzh
3. 3 Incidents of Gunfire, 6 Border Violations
4. Moskovskiy
5. 8 Incidents of Gunfire, 6 Border Violations
6. Kalai-Khumb
7. 4 Incidents of Gunfire, 8 Border Violations
8. Khorog
9. 4 Incidents of Gunfire, 9 Border Violations
10. Ishkashim
11. 1 Incident of Gunfire, 2 Border Violations

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destroy the facilities for storing ammunition and weapons which had already been set up by the opposition on Tajikistan's territory. By 1 December, the frontier guards had already destroyed and confiscated from buried sites 17 missile launchers, 4 mortars, an antiaircraft gun and mount, 21 recoilless weapons, hundreds of mines, and thousands of pieces of ammunition for firearms.

What is interesting is that these actions of the Russian frontier guards are supported not only by official Dushanbe but by ordinary citizens of Tajikistan as well. Thus, recently the RF FPS [Federal Border Service] received a letter from the leaders of the local organs of power of Gornyy Badakhshan in which they thanked Russia's Border Troops for keeping the Tajik-Afghan border secure and for contributing to the stabilization of the situation in the republic.

Sensing the loss of its influence, the opposition shifted to direct terrorist action against the civilian population. In the village of Kurgalat recently, the guerrillas took 12 local residents hostage, which directly contradicts one of the provisions of the agreement. In this very same rayon, they shot the director of one of the schools who spoke out against the violence being committed by the oppositionists. Let us also note that the instability in the republic is very beneficial to criminal structures. According to operational data, there are six groupings involved in the narcotics business operating in the Gornyy Badakhshan Autonomous Oblast alone.

All that was said above is making the RF FPS leadership take additional steps to keep the Tajik-Afghan border secure and its soldiers safe. For these purposes, as the deputy chief of the RF Border Troops Chief Headquarters, Major General Aleksandr Baranov, unequivocally announced in answer to my question, if information is obtained on preparations for an attack on Russian frontier guards, we will take preventive steps, even to the point of fire for effect. And the first deputy chief of the international treaty directorate of the FPS, Major General Mikhail Shekhalevich, added that the UN Secretariat, which is supposed to monitor the Temporary Cease-Fire Agreement, will henceforth be regularly informed of all the opposition's illegal actions.

And that, allow me to mention, is not superfluous either. The point is that recently, deservedly rebuffed at the border, the opposition has been waging an attack on the diplomatic front as well. Right after each armed confrontation, the leaders of the Islamic Revival Movement of Tajikistan [DIVT—"Dvizheniye islamskogo vozrozhdeniya Tadzhikistana"] have been sending lengthy petitions to the United Nations accusing the Russian Border Troops of violating the temporary cease-fire agreement. But, first, the agreement clearly envisions the cessation of "any violations of the Tajik-Afghan border." And secondly, on the large scale, the Russian Border Troops do not have any legal relationship to it. The agreement was concluded between the leadership of the Republic of Tajikistan and the Tajik opposition. In fact the activities of the border troops are regulated by the agreement between the Russian Federation and the Republic of Tajikistan signed on 25 May 1993.

Now I shall speak of the possible development of events. The fact that the intransigent opposition has not rejected the violent overthrow of the government in Tajikistan is unequivocal. So they will use the winter to make preparations for energetic combat operations in the spring and summer. After all, it was not without reason that the leader of the so-called "Tajik government in exile," Said Abdullo Nuri, noted in one of his recent statements that the DIVT has only a year left to accomplish its tasks.

According to operational information, armed guerrillas are to be concentrated on Afghan territory opposite the Kalai-Khumb Border Detachment sector. The number of guerrillas has already reached 500. Ammunition, including missiles and mines, is being brought in.

Moreover, specialists believe, it is possible the opposition will be stepped up in the Moskovskiy and Pyandzh axes in the winter because operations in the mountainous conditions in the sectors of the Kalai-Khumb, Khorog, and Ishkashim border detachments are impossible.

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Agreement on Free Trade Between Russia, Ukraine Reported

954F0917A Moscow KOMMERSANT-DAILY in Russian 12 Jan 95 p 3

[Article by Marat Salimov: "Liberalization of Trade Between Russia and Ukraine is Forthcoming"]

[FBIS Translated Text] **According to the government decree which was officially publicized yesterday, and which approves the bilateral draft agreement on free trade, Moscow and Kiev intend to significantly liberalize conditions of mutual trade in the current year. This will be expressed in a rejection of tariff and non-tariff forms of regulating trade relations, as well as in a significant reduction in the exceptions to the regimen of free trade. At the same time, control over the re-export of goods will be strengthened.**

After the agreement between Moscow and Minsk on creation of the customs union is signed (see KOMMERSANT-DAILY for 10 January), certain changes will occur also in Russian-Ukrainian trade relations. It is true, for the present time there is no discussion of a customs union, but there can be no doubt that the commercial structures can expect a significant liberalization of trade conditions between the two states.

The government decree, "On Signing the Agreement Between the Government of the Russian Federation and the Government of Ukraine on Realization of the Regimen of Free Trade and the Protocol Between the Government of the Russian Federation and the Government of the Ukraine on Realization of the Agreement on Re-Export of Goods and the Procedure for Issuance of Permits for Re-Export Dated 15 April 1994 in Bilateral Relations Between the Russian Federation and Ukraine," approves the documents developed by the MFER [Ministry of Foreign Economic Relations], which have already been coordinated with the Ukrainian side. Despite the fact that the draft agreement prepared for signature, like last year's agreement, provides for certain exceptions to the regimen of free trade, it contains a mechanism for their gradual exclusion. For this purpose, provision is made for creating a mixed work group which will prepare proposals on the balanced reduction of items to be excluded from the regimen of free trade between the two countries. The result of its activity must be the sharp reduction of items excluded from the regimen of free trade in the course of 1995, which primarily apply to the export of raw materials and food products.

This already indicates that the draft of the present agreement is more liberal as compared with the agreement which was previously in effect. Moreover, the work group must, in the shortest possible time, prepare proposals on expanding bilateral trade relations for review by the governments of both states. The parties must gradually reject measures of tariff and non-tariff regulation, and must also ensure the unhindered transit of cargo originating in the territories of Russia and Ukraine and having destination points in third countries. It follows from the draft agreement that both Moscow and Kiev firmly intend to step up integration processes in the sphere of trade relations in the current year. Such a position is fully understandable—it is conditioned by the deteriorating economic situation and exacerbation of the problem of non-payments.

The upcoming liberalization of conditions of trade between Russia and Ukraine is expressed by the desire of the leadership of both states not only to restore the disintegrated economic relations, but also to fulfill their obligations under GATT [General Agreement on Tariffs and Trade]. After all, joining this organization is impossible without harmonization and unification of the systems of tariff and non-tariff regulation in accordance with GATT's principles. As a result, in the course of the year there must be a partial, and then a complete removal of limitations on mutual trade.

In connection with the fact that in 1995 the commercial structures will have expanded capacities for performing trade operations, provision is made for strengthening control over the re-export of goods. It will be implemented in accordance with the multi-lateral agreement between the CIS states, "On Re-Export of Goods and Procedure for Issuance of Permits for Re-Export," signed by the leaders of the Commonwealth countries on 15 April 1994, as well as on the basis of the bi-lateral protocol on re-export. In accordance with the draft protocol, the permits for re-export will be issued by the foreign economic departments of the two states on the basis of coordinated lists of goods. It is most likely that, for the purpose of preventing duty-free export to third countries, these lists will include goods which will be excluded from the exceptions to the regimen of free trade.

Ukrainian Silence on Russia Actions in Chechnya Deplored

954K0439A Kiev LITERATURNA UKRAYINA in Ukrainian 29 Dec 94 p 1

[Article by Stepan Kolesnyk, first secretary of the board of the Kiev Writers Organization, winner of the Taras Shevchenko State Prize: "Chechnya Is Bleeding to Death While the World Stays Silent!"]

[FBIS Translated Text] A cold, uncaring and hypocritical world.

In this hypocritical world, reveling in violence and cruelty, not a single country has raised its voice in indignation and in defense of Chechnya! Meanwhile, the barbarian and murderer has swept like a wave over this small, peace-loving nation. Elite Russian troops—trained in centuries of oppression and banditry—are trying to exterminate Chechnya.

The land is burning under bombs, an innocent people is shedding tears and blood. The time is not far off when

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that blood and those tears will rise up and flood like a holocaust across the boundless, snow-covered expanses of Russia, and the Empire will die.

Of what is this noble little nation guilty? Did it start to march against Moscow? Did it decide to blow up the gloomy, bloody, and criminal Kremlin, as Ostankino has been falsely claiming day and night as it foists the image of the "evil Chechen" on us? Chechnya is guilty of just one thing—it wants to graze its sheep on its own mountains, to be called Chechens, not Russians.

Russia's democrats act as if they were against the war in Chechnya. But they are all trumpeting Moscow's lie that Chechnya is Russia. Last century, which was equally bloody, Tsarist Russia conquered the Caucasus with fire and sword. Muscovy, always hostile and brutal, ought to apologize to millions of its foreign victims and say, We have caused the world so much trouble and shed so much blood, we should release the peoples under our yoke.

What do they care about Chechnya? Up there in Muscovy they even had tanks fire on parliament. The world did not get indignant, or even notice. With the mute consent of the democratic, socialist, and capitalist countries, Russia's punitive forces under the "Sonderkommando" of its enforcement ministries are herding Chechnya's people into a mass grave.

The world shudders from the bloody orgy—but keeps silent. The world has grown callous! There is an inexorable law that when the world is silent it is doomed to shudder from even more frightful tragedies in its own home. Silence is not always golden. With genocide in Chechnya, silence is a crime for which premiers and presidents will have to answer.

Even Ukraine is silent! Ukraine's top leadership have slyly and fearfully signaled that the war in Chechnya is Russia's internal affair. So is the will of the Chechens—the fate and liberty of the mountaineers—are these also Russia's affair? Is Russia's business the yoke, the leg irons, the bullet in the neck, the bomb in the foreigner's home? And blood, all that blood?!

Ukraine's leaders are hoping that the road to Russia's affection and mercy is paved with these sweet notions. What crass self-deception! Where do they think the guns of the Sevastopol Squadron are pointed? The very heart of Ukraine! The gun barrels are clean, the gun powder is heaped on the top shelf. Just one question gives pause: When will the command be given to occupy Ukraine?

The world still is silent! The world seems to urge the Russian aggressor, Go ahead and burn, destroy, don't spare the bombs on Chechnya! The Chechens, fighting for freedom, have been called "gangsters," while the actual gangsters of Moscow are called the peacemakers. Basely, deceitfully, truly Kremlin-style. We will just add that these criminal "peacemakers" carry knives, they are the eternal bandits on history's long road.

O freedom-loving, beautiful, brave Chechnya! You cannot count on us in Ukraine. We are still fettered by the bonds of slavery. We dream of resuming the yoke. As long as the sausage is cheap, we don't mind the collar around our neck in the form of an alien official language.

Although I am an unbeliever, I still pray as I write these lines, realizing that Chechnya is being torn apart! It cannot stand up to such hordes. Miracles do not really happen in the world.

What is miraculous is the greatness of soul of this proud and indomitable nation. May its glory resound through the centuries!

God grant our own Ukraine such greatness of soul!

Duma Delegation Assesses Tajikistan Border Situation

954F0737A Moscow SOVETSKAYA ROSSIYA in Russian 24 Dec 94 p 2

[Article by Vladimir Isakov under "Parliamentary Diary" rubric: "It Is Dark on the Border"]

[FBIS Translated Text]

3. Tajikistan

Sinful Paradise

Under the wing of the aircraft are mountains that look like crumpled wrapping paper. The raised brown paper fills all of the space to the very horizon. Only occasionally are the highest mountain peaks silvered with snow. Even higher than that are the clouds that cast their transparent shadows. It is a beautiful sight.

At the airfield in Dushanbe, you are hit by a feeling of unreality. After the damp and gray Moscow and the snow-flecked Murmansk, it seems as though you have landed in an earthly paradise: bright sun, warm wind filled with mysterious southern aromas, and the rich green of the trees. And in this paradise.... But let us take everything in order.

Lt. Gen. A.T. Chechulin, Commander of the Group of Border Troops in the Republic of Tajikistan, Reports

The group of border troops has existed for two years. A little past history. The events in the fall of 1992 and winter of 1993—an acute internal armed conflict between the People's Front and the opposition—led to more than 100,000 refugees fleeing the borders of the Republic of Tajikistan. During this period, the border guards were not in a confrontation with any of the opposing sides and they maintained complete and strict neutrality. In addition, they established favorable practices for the mass border crossings by refugees.

By the spring of 1993, the majority of the most active part of the male population that left Tajikistan had gone through basic training in special camps in the territory of Afghanistan, Iran, and Saudi Arabia and by the end of

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the spring and beginning of the summer they had been organized and activated. At first they determined the political structure—a so-called government in exile—and then its armed forces on four fronts.... After being activated and having established a unified ideology, these fronts began to be actively engaged across the national boundary line.

The tactic of their actions: illegal infiltration of armed groups, attacks against and firing on outposts, saturation of the border zone of Tajikistan with their own formations, and then the establishment of permanent "pockets" of instability with respect to the central authorities. The ultimate objective was to destabilize the situation and to establish the conditions for their own coming to power. All their actions were subject to this ideology from the very beginning to this day.

The group of border troops in Tajikistan, organizationally comprised of five border detachments, was not prepared for such difficult counteraction. You all remember the heroic but sad events of July of last year, when the 12th Border Troops Subunit did everything it could—half the troops perished—and prevented the enemy from penetrating. Spreading out its delayed reserves, it enabled the quick restoration of the situation along the boundary line. Nevertheless, the events at the 12th Border Troops Subunit showed that at that time we were not yet prepared for this kind of defense—neither structurally, nor in terms of command, nor with respect to equipment. Our deployment there was not stipulated by any treaties. That is the first thing. The second is that the group was supplied under the surplus principle with no clear prospect as to whether it was to leave or remain. The confusion of the material situation and the unpredictability of tomorrow led to a dramatic outflow of personnel—the group was only 40 percent manned with officers and just a little more than that with personnel. This permitted us to carry out the functions of guarding the border in traditional ways—patrols, observations, and small actions and operations in small individual groups.

The tragedy of the 12th Border Troops Subunit—and I think that it was a national tragedy rather than a purely "departmental" or border tragedy—shook people up so much and forced them to pay so much attention to us that—do not consider this to be just glib talk—fundamental changes took place.

What Has Changed This Year?

There was practically nothing in the tactics of the enemy's actions other than the fact that during this time his military detachments became better equipped, wiser through combat actions, and easier to command. Unfortunately, all the signed agreements, including the one with Tehran, had no influence at all on the situation at the border. On the contrary, the scope and intensity of the armed confrontations increased significantly. The leadership of the opposition is verbally declaring the principle of a cease fire, but it does not fully control those who hold the weapons. A significant share of mercenaries (as much as 50 percent) have been involved in the cause and they are working so that their profession will "pay off." It clearly follows from this that one cannot expect a truce on the Tajik-Afghan border any time soon.

This is with respect to the actions of the adversary.

What has changed since July of last year in the actions of our disposition of forces? In the first place, the numerical strength of the force has increased. The personnel problem has been resolved. Officer slots are 95 percent filled and the strength of other personnel is at 108 percent. Nowhere else do the border troops of the Russian Federation have such a strength level. This was the result of the absolutely nontraditional approaches of the leadership of the border troops of the Russian Federation. The deployment here was announced in the status of a special duty assignment. The temporary measures with which we tried to close our personnel gaps did not justify themselves. The people who are now coming have an understanding of themselves, their role, and their past, and they have prospects of growth in service.

Of course there are also problems. Today 84 percent of the personnel come from the local population. This results in major problems in the training of specialists. Still another nontraditional approach is needed—'rota'ion" in the border troops, which allows citizens of Tajikistan to serve in Russia and Russian citizens to serve in Tajikistan. Today this contradicts the letter of the law, but if we need this region it is necessary to make the law conform with reality as soon as possible.

There has been a very great saturation with technical means. Our group "robbed" all of the border troops—we took from the Far East, from Kamchatka, from the north, and from the west. Equipment arrived here. Armored equipment was delivered to the region of combat operations by trailer across 800 km of semipassable mountain roads.

Still another nontraditional measure was taken—the combat tour of duty. More than 3,000 people in the personnel structure went through it in a relatively short period. And almost half of them remained here. The officers were warmed by a particular feeling of worth and understanding of the duty that they are performing here on behalf of Russia.

In the Threatened Sectors

Still, I cannot yet say that in every way we are managing to keep up with the dynamics of the development of the situation. It is neither possible nor necessary to be strong everywhere along the nearly 2,000 km of border and to stand as a living barrier in this inaccessible mountain terrain. The classical "canon" remains—concentrate forces in threatened sectors. And this is what was done.

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We did not allow the enemy to accomplish his "undertakings" in the main sectors. The border did not become an open yard. As a result, even those individual groups that did penetrate were unable to influence the situation within the republic substantially.

Their fall and summer campaign practically collapsed. The zone of Karskiy Rayon, their traditional base, has been cleaned out. The enemy's main forces have been expelled beyond the national border.

The group is working at the limit of its possibilities under the existing conditions, hence the extreme consumption. But supply is not taking this into account. In response to my telegram about inadequate deliveries of fuel, I received the answer: Half has been allocated. So the soldier is half-fed, half-clothed, half-heated, and can go half of the way to his destination.

I understand that everyone has difficulties. Today no pocket is big enough to make it possible to "procure and provide" everything. The main thing is that the situation and the attitude have changed. The worst thing—and we also experienced this—is to feel abandoned and unneeded by Russia. No one will say this to you now. Any soldier will give you an answer to the questions: "Whose people are you? Why are you here? Whose interests are you protecting?"

We who stand here understand that by and large the future is not up to us. It is up to the politicians to find peaceful ways to settle this situation. But since we are already here, we have a right to declare this loudly and to count on your full support.

Specific Push

The state must give society a goal.... Today we do not have a level of national state goals and our existence without goals means a purposeless existence for the nation....

People have lost their understanding of the quality of labor, that is, they have lost their skills. And the young generation just has not discovered what skilled labor is. Instead of a haphazard market, we must organize quite complex systems of models of skilled labor in different areas.... Without the restoration of quality of labor, the "market" economy is just another paper tiger and bluff.

Labor and labor effort that is difficult to the point of exhaustion is a real test, a test that, besides everything else, one must know how to endure. The transformation of labor into an easy pleasure means that you simply are no longer performing labor, that someone else in some other place is performing the labor and you are simply incorporating yourself into the system and form of labor, executing a certain partial labor operation....

The 20th century is linked with a change in the concept of capital. Capital is being transformed from the ownership of land, iron, treasures, and riches to the capability of large groups of the population to carry out labor effort continuously over long periods of time, constantly raising the quality of their labor and level of its organization. The one who wins is the one who is capable of reorganizing it rapidly without breaking down the established infrastructure, while thereby including all of the latest world achievements in it....

The objective must not be to become an owner. This is a specially introduced ideological absurdity. The individual becomes an owner for something. This "something" must be formulated. It is the course along which the country's push must be made. When the president says to the people get rich, he is thereby calling for the country's organism to become a corpse disintegrating into cancerous self-devouring tumors. The people must be told in what direction the entire country will make its push and how in the direction of this push each inhabitant can have a chance to change his social position.... The Soviet person is a person with goals with respect to his world view and ideology. He must be given specific and clear goals. And it has been shown what kind of reward he will receive for the realization of the specific push... (Yu. Gromyko, "Junctures").

"The More Red Blood Is Shed, the Greener the Flag of Allah"

During the commander's report we heard the government telephone ringing. They passed on to us an invitation from Emomali Rakhmanov, president of Tajikistan. But here is the difficulty: The protocol service would like to receive you in a hall in which there are just six seats. What a surprise.... So do you want to count off?

After conferring among ourselves, we made a counter proposal: Either everyone or no one. Fortunately, the young Tajik bureaucracy has not yet had time to become ingrained. Within 15 minutes they passed on the invitation without mediators: The president is inviting everyone.

The presidential palace in Dushanbe—in the recent past, for the Central Committee of the Communist Party of the republic—revived in our memory images of the tales of Scheherazade: a freakish mixture of oblast committee solidity and Eastern motifs. In the corners and stairway passages, one could see modest and hardly unnoticeable people, either guards or servants. In the reception hall, the tables were set with an expensive gilded service, vases with fruit, and the ubiquitous Pepsi.

And again, the unthinkable contrast between the bright and comfortable hall and what Emomali Rakhmanov spoke about....

From the Talk of E. Rakhmanov

An analysis has shown that some sectors of the national border of Tajikistan have become gateways of the international narcotics business. If we close the border, they make a lot of noise in the Moscow and foreign press. Why? Every day we confiscate 10 to 15 kg of narcotics on

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domestic air routes. But what is moving on the ground? Hundreds of kilograms. We need help to stop this flow....

Together we guarded and guard not only Tajikistan here. Above all, the Central Asian republics. And also the Russian Federation, Europe, and the entire world.

Islamic fundamentalism is a factor like the plague. It is the most dangerous force. At the time of the civil war, we lost about 100,000 of our citizens. Whereas 60,000 citizens of Tajikistan perished at the time of World War II, it was more than 100,000 during the civil war. And approximately another million became refugees. As of now about 860,000 have returned, but there are still about 80,000 beyond the borders of the state—in Afghanistan, Pakistan, Iran, Saudi Arabia....

What the Russian border troops are doing is heroic. In the last year and a half, there have been 11 Heroes of Russia just on the Tajik-Afghan border. Unfortunately, six of them were posthumous.

The border of Tajikistan is almost 2,000 km long. Economically we will not be able to hold such a border any time soon. Air transport is completely open—fly all the way to Moscow if you want. My personal conviction is the countries of the Commonwealth must have a single common border. This is also advantageous economically and it is more dependable from the point of view of security.

The only ambassador who did not abandon our country at the most difficult time was the Russian ambassador. At that time, being chairman of the Kulyab Oblast Committee, I went to meet the Russian leadership. They sent to us a delegation headed by A. Kozyrev.

There was fighting in Kurgan-Tyube Oblast. The liberation of the military installation Lomonosov in Kurgan-Tyube cost the lives of 2,500 boys. Most of the people living there were Russians and families of servicemen. We saw how this oblast and the entire valley burned. And we were witnesses to how the people were driven from their houses—no matter whether they were Russians or Tajiks. They did not even consider the people of Kulyab to be their own. This is how far the fanaticism went....

Many left after this. There was a blockade. The railroad was blown up. As of now about 7,000 have returned. We are taking measures so that all will return. Tajikistan is the homeland not just of Tajiks. Tajikistan is the homeland for all nationalities living in this land.

Economically there are a great many problems. The damage caused by the civil war amounted to about $7 billion. Right now it is hard for everyone, not just for us. Russia also has many problems.

There were and remain political forces that would like to see Tajikistan as a second Afghanistan. They do not want stabilization. Through Tajikistan they want to influence contiguous states, above all Russia. There is such a strategic plan. For this reason, we must strengthen the border together.

If there were no Russian border troops and if there had not been the correct decisions of the leadership of the Russian Federation, then there would be no sovereign Tajikistan at the present time....

12th Border Troops Subunit

Early in the morning we put on protective camouflage and headed for the 12th Border Troops Subunit, that same post of the Moscow border detachment where the hottest fighting took place during the summer.

Below the helicopter extended a green plain and one could glimpse a river, a sandbank, and beyond that more and more mountains with slopes that looked as though they were covered with chamois. There were passes and precipitous inaccessible gorges. In the narrow valleys between the mountains were small parcels of cultivated land that appeared as though they had been combed in. Burned-out houses indicated the sites of recent battles....

Sometimes the helicopter comes so close to the cliffs—one can see the loose rock—that it seems the blade will hit them.

The outpost appears suddenly, just as it is supposed to. We glimpse a zone of trenches, emplacements, and caponiers with guns and equipment and the helicopter descends to a takeoff and landing strip that is just a "spot" paved with duralumin.

We jump out of the helicopter and immediately want to go back—the wind that is howling uninhibitedly on the plateau cuts to the bone. Huddling against the cold, we go in disorderly files to the memorial. There are some 30 family names on the marble obelisk....

Those who are not resting are continuously in the trenches in the event of a possible attack. To raise the fighting spirit, a striped green and red border stake has been buried in the ground directly at the outpost. The border itself is a little further on, on the other side of a hill. From there one can hear explosions. It was precisely during the time of our visit that two groups of violators tried to force the border river on rafts. The result of the battle: One raft was destroyed and the violators returned to the adjacent territory, carrying away their dead and wounded.

We examine the simple soldiers' housing—a barracks and a bath house. On the table is a Japanese color television with a video attachment. "We are watching the session of the Duma," the duty officer says with a smile. (How can you be interested in our deliberations in Moscow?—we think.) The walls of the underground barracks are neatly covered with plywood. A blast lock is provided in the event of the oblique explosion of a projectile or mine.

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We meet the chief of the outpost. The previous place of service of the young captain was the island of Rakhmanov, the most prestigious remote outpost of the border troops, just 4 km from America. He came to Tajikistan for a tour of duty and stayed: It is real man's work. He received his rank ahead of time and the order "For Personal Valor."

When we were returning to the helicopter, I pointed out a hole in the center of the landing strip neatly filled with concrete.

"Direct hit by a rocket projectile," nodded the chief of the outpost. "Surprises" like that keep you from getting bored here.

Giants and Pygmies

Today one can understand that the population is a powerless pygmy, a midget that does not come up to the standard of the questions raised about the type, nature, and form of Russian nationhood. A depraved pygmy may do just about any dirty trick such as, for example, crown Yeltsin as tsar or engage in Shakhray-Yavlinskiyism [shakhroyavlinshchina].

A technocratic mind accustomed to engineering solutions will ask what one can do in this situation. In the West, everything is nice and clear—they have precise juridical procedures that originated in Roman law, whereas here, as always, we have done all sorts of stupid things and confused everything....

In our view, we are also offering a very precise and logical engineering solution: to show the population that it is a pygmy, not in relation to the West but in relation to its own national history and to its own fathers and even more so to the grandfathers and even more than that to the great-grandfathers and great-great-grandfathers and so on. That is, every Russian must sew up a terrible festering wound within his soul, the pain of his own inferiority, not with respect to the West but with respect to his own national history. The overcoming of this pain is growth in the historical ethnic Russian dimension, in the dimension of self-awareness and their own national history....

This is what our idea is all about—the restoration of Russian nationhood is a personal Christian cause and requires asceticism. And its effective realization with personal responsibility presupposes an approach of historical reality. In this case, the following must occur: Under the conditions of disintegration and directed depravation and destruction, everyone must decide what he can do personally to help restore nationhood and to cultivate an ethnic Russian state....

Every individual and every collective that bows to Russian nationhood in some form or other must definitely separate himself or itself from everything else. Therefore...the person must again redetermine and rethink what he is living for: for the comfort and pleasantness of his own behavior or for the ideal-public historical whole. In our view, today self-determination is taking place on this border. Either in the scope of a human lifetime there is individuality and self with its amenities and laws or in the scope of a human lifetime there is life in history and growth in the Russian State.

It is quite understandable that there is nothing more pleasing to its enemies than to observe the collapse and destruction of the state structure and the turning of its organism into dust. For all those who love their Motherland, there is something mysterious in the formation of Russia and in the strengthening and formation of the Russian state organism, a kind of singing sound that has always been heard in history. And the Russian people knew how to catch this sound. (Yu. Gromyko, "Junctures").

Instead of an Epilogue

We deputies of the State Duma of the Russian Federation, representing eight committees and six political and deputy groups, express our gratitude to the leadership of the Federal Border Service of the Russian Federation for organizing a working trip to the northern, northwestern, and southern borders of our Russian state.

We wish to stress that our political differences receded into the background when, directly at the border and the forward edge of the defense of the security of our Fatherland, we got to know the combat duties of the Russian border guards and their daily life.

We give witness that today the borders of our Motherland are dependably guarded. But we are not certain that tomorrow the border troops will perform their responsibilities in an equally exemplary manner. The greatest professionalism of the border troops and their willingness for self-sacrifice in the defense of the borders also requires that we parliamentarians also really provide for the defense of the state border and above all for financial and material-technical support.

[Signed] Deputies: A.Ye. Vorontsov and V.B. Isakov (Agrarian Party); G.S. Bondarev (Yabloko); Ye.Yu. Loginov and K.N. Panferov (Liberal Democratic Party of Russia); A.N. Sarychev and V.P. Lednev (Russia's Choice); A.K. Yegorov and N.S. Stolyarov (New Regional Policy); L.N. Petrovskiy (Communist Party of the Russian Federation); A.Ya. Lezdinsh (independent deputy).

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Foreign Participation in Priobskoye Oil Field Development Eyed

954F0654A Moscow SEGODNYA in Russian 14 Dec 94 p 3

[Article by A. Bekker: "Russian Oil Industry Difficulties Mirror National Interests: Or What Chernomyrdin Will Not Tell Al Gore"]

[FBIS Translated Text] **The day after tomorrow a meeting will take place in Moscow between Victor Chernomyrdin and U.S. Vice President Al Gore. It is proposed that the central issue be discussion of the Priobskoye Oil Field Development project. The project's history and the troubles surrounding it offer much to learn.**

In autumn 1990 the general director of the Yuganskneftegas (YuNG) association, Sergey Muravlenko, created the oil and gas production administration (NGDU) Yugraneft especially for the development of the Priobskoye oil field. At the head of the latter he placed Anfir Fazlutdinov, an experienced business manager. Two years later the director's "protege" had assembled a work collective for the NGDU that decided to leave the association and independently go public. Not long after, Mr. Muravlenko abolished the NGDU and fired Mr. Fazlutdinov for being in discord with the reorganization. Since that time, the latter has been trying through the courts to regain his position and attain rights to the oil field for Yugraneft. The melee over the Priobskoye oil field continues for a second year in the halls of authority of the region and capital.

There has been no treasure in Russia like it since the time of Samotlor: 2.4 billion tonnes of geological oil resources, with 700 million recoverable tonnes. Throughout the world it can be compared only with Prudhoe Bay in the United States. The fight over the unique oil field became much like the instinct to carry on one's lineage, and in this sense the fight was unavoidable. In Priobsk 56,000 future YuNG workers reside along with more than a million residents of Khanty-Mansiy Okrug.

Not just a small segment of those who worked at Priobsk with Anfir Fazlutdinov say that things ran more smoothly under him: Wages were paid without delays, and both discipline and quality of work were higher. They hope that their former boss will achieve his goal in Moscow and effect the break between Yugraneft and YuNG, which has already gone public. The collective will then at last cross over to the right bank of the Ob where the chief oil pools lie.

Social Magnet

The duel over the Priobskoye oil field, like a social magnet, has drawn the attention of dozens of organizations and thousands of people. From the start, the Khanty-Mansiy and Tyumen authorities, local Cossacks, and representatives of Boris Yeltsin in the oblast and okrug have come to the defense of Mr. Fazlutdinov. The Yugra collective has received the support in Moscow of a number of State Duma and Federation Council deputies, the State Committee for Issues of the North and the president's Control Administration. "I ask that you personally analyze the situation, bring the matter to an end, and inform me of the results..." wrote Boris Yeltsin to Mr. Chubays in September 1993. Such a directive in Russia is often like a "higher court," a point of view in a conflict; the determined victor in the given case—Yugra. However, a month later the situation became even more heated: YuNG, together with the U.S. corporation Amoco, won an international bidding for acquisition of the Siberian oil field. The Ministry of Fuel and Energy, the GKAP [State Committee for Antimonopoly Policy and Support of New Economic Structures], and the GKI [State Committee on the Administration of State Property] confirmed the companies' preemption against their rivals, i.e., Shell, Exxon, and Mobil Oil. The issuance of license SMI-00194 to develop the Priobskoye oil field further strengthened the rights of the Russian-American alliance.

The battle, however, did not end there. Legal proceedings continued over the legality of firing Mr. Fazlutdinov, the abolishment of the NGDU, and the independent registration of Yugraneft as an AO [joint-stock company]. In response to instructions issued mid-year by the presidential Control Administration regarding the resolution of the dispute in the interest of Yugra, the first deputy chairman of the GKI, Mr. Mostovoy, reported that a commission of specialists from within the GKI, the Ministry of Fuel and Energy, and the GKAP had concluded that separating the NGDU from YuNG was "economically inadvisable," and that Yugraneft was financially incapable of "developing the large-scale Priobskoye oil field."

According to economic records I acquired in Nefteyugansk, Yugra's share of the yield was to be 2.0-2.5 percent; the same proportion was found for the production capacities of the parent association and its subsidiary enterprise. The production cost of crude obtained by Yugra was three times higher than the average for YuNG, and the financial stability of the subdivision was maintained exclusively through the capital investments of the larger association.

Colonialist Project

Nonetheless, toward the fall rumors had started to circulate that an outcome to the whole matter was close at hand. Boris Yeltsin had decided to untie the "Gordian knot." A draft presidential order had even appeared, granting the AO Yugraneft land and mineral rights, as well as the right to conclude agreements. One point in the draft even obligated the Russian Federation Committee for Geology and the Use of Mineral Resources to give the AO a license to develop all parts off the Priobskoye oil field. "This will be in the interests of Russia," Anfir Fazlutdinov told me. "Amoco would have reaped the most profit and left. The fact that the profits are to be divided 50:50 is robbing the country, pure and simple."

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On becoming closely familiar with the project, no "colonialist" undertones are found. The production of the first 300 million tonnes is calculated over 20 years, beyond which volumes and gradual movement out onto "the shelf" are scheduled at 25 million tonnes per year. The oil field will require $25 billion in investment from each of the partners for 50 years of usage. Therewith, in accordance with the terms of the project, the country-owner of the minerals is to receive 62.9 percent of the revenues ($35.5 billion), YuNG is to receive 18.6 percent ($10.5 billion), and Amoco, 18.0 percent ($10.4 billion). If one adds in the $18 million in bonuses already allotted by the corporation to Khanty-Mansiy, and in the future, the royalties and taxes on profits to be paid to the RF Government, then the real Russia-Amoco proportion is not 50:50, but 82:18 percent. Azerbaijan, in comparison, signed an agreement on the development of three oil fields on the Caspian shelf with British Petroleum, Statoil, Amoco, and LUKoyl on terms of an 80:20 division of revenues. Also the state, while caught in the clutches of a half war and economic crisis, agreed not to include in the deal a time schedule for foreign firms to repay expenses, or to specify volumes and procedures for paying out bonuses.

In short, our homeland on the Priobskoye was not sold "on the cheap." Strict ecological requirements prompted the board of directors overseeing construction of the field, made up of 40 Russian and 10 American specialists, to conduct two expeditions out to the Ob's catch basin. They affirmed that the project could not be managed without the most modern technology. From this point of view Western companies are helping Russian companies to "cut corners," that is, to shorten the path to high technology. For example, Conoco applied the technology of injecting a substantial volume of casing-head gas under ground to maintain seam pressure at the Ardalinskoye oil field (Arkhangelsk). In general, the attraction of American capital and technology helped put the Ardalinskoye into operation in two years, a time frame not seen before in the Arctic circle. "High-tech" surprises will also be seen at the Priobskoye oil field. The high density of the wells (60-120 per platform) will entail importing special drilling "superclusters" from the U.S. The problem of crossing the Ob has also been resolved in an original way. In Russia a pipeline is traditionally placed along the bottom of a river with subsequent hydrotreatment. This method causes damage to the river and fish, to say nothing of the danger of explosions and pollution. Amoco introduced the placement of a siphon under the bed of the Ob to the project, a measure that will cut work time in half and be more ecologically sound.

It is obvious that Yugraneft is incapable of this kind of task. It has no enduring world reputation, like the now centenarian Amoco has (it is the second largest U.S. corporation in gas production and fourth largest in refining petroleum products). Yugraneft does not have the financial potential of the latter either: $25 billion in revenues and close to 2 billion in profits per year. For YuNG the World Bank has reserved credits in the amount of $500 million in start up funds to develop the Priobskoye oil field. For Yugra and Anfir Fazlutdinov, with all due respect for his enthusiasm and persistence, no money will be allotted.

"The Seven Sisters," Russian-Style

Does it follow then that this provocation made by an ordinary oil and gas production administration against a large association was by chance a matter largely stemming from the personal ambitions of Mr. Muravlenko and Mr. Fazlutdinov? One would think not. Five years ago, after a difficult battle, the Chernogorneft NGDU broke free and gained its "independence" from the Nezhnevartovskneftegas association. The weakened reins of the Ministry in Moscow prompted a number of NGDU's to try their luck at going it alone. Later this desire was further fed by the split up of fuel and energy complex [TEK] into seven vertically integrated companies [VIK]. The incomplete state of the reorganization of the oil complex as it was before is now giving rise to conflicts as the seven VIK's try to draw in oil production, refining, and marketing enterprises that have not yet been reorganized into separate entities. Such a conflict arose recently when the GP [State Enterprise] Rosneft did not adhere to instructions given by the GKI to transfer to the oil company Sidanko shareholdings in the AO Purneftegas and Sakhalinmornefteprodukt, which were then under Rosneft management. The seven VIK's are also being kept in a state of tension over the plans of the Ministry of Fuel and Energy to create the National Oil Company, the powers of which would be great enough to crush budding competition from the VIK's.

These companies themselves, LUKoyl, Rosneft, Sidanko, and YuKOS (which YuNG joined), have been a source of jealousy and irritation among regional authorities. By origin, these companies are from Tyumen, but "their largest shareholders, their directors and banks are in Moscow. They pay taxes in Moscow, and they build offices in Moscow," complained the head of the Tyumen administration, Mr. Koketskiy. "Money earned with the labor of our oil and gas workers... winds up in banks in the capital and brings them revenues. In my opinion, this is colonialist." In view of such an opinion, Anfir Fazlutdinov, naturally, became one of their own, the Priobskoye field became a trump card, and Yugraneft—the chief future regional oil company—became the essence of their resentment toward the center and a source of revenue for the local budget. This focus of tension was successfully alleviated, however, just the other day when the Tyumen administration signed a large economic agreement with its "prodigal sons," the VIK's.

The birth of the Russian "seven sisters" caused a mixed reaction in the West. It is understandable that they were perceived as being prospective staunch rivals. It was not just by chance that a scandal and proceedings were brought against LUKoyl in the Houston district court,

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proceedings which ended in a fiasco involving Frankenburg Inc., the company that had accused the leadership of the Russian company of corruption. Also, according to some accounts, British Petroleum was stubbornly against allowing LUKoyl onto the Caspian shelf. In general, while Russia was involved in figuring out the reorganization of the TEK, the oil market in the Baltic region was being occupied by Shell, the Norwegian firm Statoil, and the Finnish company Nestle. Thus, a number of foreign corporations are basing their strategy on locking out Russian competitors within their own borders whenever possible.

Money, But No Project

The opposite tendency also exists. The American publication, "Oil and Gas Journal," after analyzing the situation on the world market and the dynamics of prices, concluded that "the presence of reserve capacities for producing oil in the event of an unexpected growth in demand" is necessary. Referencing a prediction made by the International Oil Agency, the publication reported that "during the period from 1990 to 2010 global demand for oil will grow by 40 percent to 4.1 billion tonnes per year." Because reserve capacities for OPEC countries are at 200 million tonnes per year, the focus of attention, first and foremost that of the U.S., is turning toward Russia. Hence the willingness of World Bank and the International Bank for Reconstruction and Development to grant credits to our TEK; the "rush" to the Russian North by Texaco, Exxon, Amoco, and Norsk Hydro, and their exhaustive battle with the GP Arkhangelskgeologiya over the Timano-Pechorskaya oil and gas rich province; and Amoco's no less fervent aspirations to defend its rights with YuNG to the Priobskoye oil field.

I doubt that the American corporation is playing a double-sided game in the given project, as sometimes happens when an enterprise or controlling block of shares is acquired in order to block a competitor. The project involving the Priobskoye will secure the creation of new jobs and the development of new settlements in Khanty-Mansiy Okrug. The project states that priority shall be given to Russian plants for the supply of equipment and materials needed for the oil field. Even though the situation is still "hung up," Amoco has already conducted competition among eight pipe rolling plants in Russia, and has announced three partners: Sinarskiy, Byksovskiy, and Taganrogskiy. Negotiations are being conducted with Uralmash concerning the production of drilling platforms like the American "supercluster." And finally, Russia is not irreversibly obligated to the economic and financial figures that currently exist. The bidding only named the winners, and now in accordance with international laws, the government is to create a commission and determine the specific terms of cooperation between YuNG and Amoco. It would not be prohibited, let us say, to pose additional demands regarding ecology, technology, and suppliers. It would most likely be worthwhile to debate "factor R:" Depending on the profitability of the produced oil, Russia's share on dividing the output could be increased.

Almost anything is possible when the dialogue starts. It is a dialogue, however, which has been "locked" for a month already. The government commission has not yet been formed, in spite of the fact that the Ministry of Fuel and Energy, the Russian Committee for Geology and Use of Mineral Resources, and the Khanty-Mansiy administration have gone to the Cabinet of Ministers twice with an appeal concerning the latter. The Ministry of Economics and the Ministry of Ecology, not yet having conferred their conclusions on the project, have placed Victor Chernomyrdin in an awkward position: He will be forced to somehow explain the reasons for the delays, after which he will even more awkwardly have to complain about the slow influx of foreign investments. In addition, administrative obstacles have put the brakes on the seismic surveys that YuKOS and Amoco had planned to perform by the end of the year. It is unclear as to whether it is necessary to make preparations for the drilling work scheduled for 1995.

From the Oil Field to Geopolitics

It would not be an exaggeration to say that without the Priobskoye oil field, YuKOS cannot be a company of global proportions. Of course, even without this project the company could raise its production somewhat at the Mamontovskiy oil field, increase its output of lightweight fractions from 60 to 67 percent at the Samarskiy NPZ [Oil Refinery Plant], prospect for oil in Peru, and sell a block of shares in the West through Solomon Brothers, quoted seven to 10 times lower than Shell or Exxon shares. However, all of that would not radically change the basic specialization of YuKOS as a supplier of crude oil. But that was yesterday: Gone are the "easy oil dollars" of the 1970's.

The chief global tendency now, which is even grasping hold of state-run companies, is commercialization based on selling petroleum products, conducting oil exploration wherever possible, and drilling and production. The company Oilinvest International, for example, which is controlled by the Libyan Government, owns 3,000 gas stations in Europe, and its gas stations alone stand along the highway from Geneva to Lausanne. Statoil, a Norwegian company that is well known in Russia, is even more well known in Nigeria, Angola, Namibia, Azerbaijan, Kazakhstan, China, and Vietnam, where it is actively involved in oil exploration. And if one includes the work of the latter in the English and Danish sectors of the North Sea, then a perfect example is created of healthy aggression demonstrated by a modern company.

Nothing of the sort will come about for YuKOS without the Priobskoye oil field, in my thinking. Only such a project can, like a magnet, draw in big investment and help to make a breakthrough in the areas of oil refining and petrochemistry. Russia cannot allow itself the luxury of having just average oil companies or average quality

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pipelines. It is no longer just a question of the YuKOS NK [oil company], or the AO Sibnefteprodukt, it is a question of geopolitics. The renowned specialist Aleksandr Ignatenko pointed out the fact that "the new independent states of the post-Soviet South are striving to direct the flow of their lines of communication of raw materials (and primarily oil and gas) around Russia, along the routes of Central Asia-Iran-Turkey-Europa, or Central Asia-Indian Ocean coast. These states are also trying to establish their own lines of communication independent from Russia with the Far East and the Asia-Pacific region." The latter refers to Turkmenia's efforts to create a gas pipeline to Western Europe through Iran and Turkey; an agreement on a new oil pipeline between Turkey and Azerbaijan that will allow for transporting Caspian oil to a terminal on the Turkish coast; and Kazakh oil, which rather than going to Novorossiysk will go to Turkey along the route of Tengiz-Azerbaijan-Northern 'ran-Nakhichevan-Turkish Mediterranean coast.

The ambitions of the former republics of the USSR, however, are being stifled not by a power play, but rather by "peaceful aggression" on the part of Russian business, first and foremost, Russian oil companies toward neighboring countries. Large-scale contracts and deals are being tied to traditional markets, cooperative ties, and channels for marketing raw goods. Russia's borders are, in the final analysis, becoming more "combat ready."

The seemingly private conflict surrounding the Priobskoye oil field is replete with lessons to learn, all of which will remain parenthetical to the official meeting between Viktor Chernomyrdin and Al Gore. The meeting itself should at last determine the fate of the unique oil field.

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Political Issues

Agriculture Minister on Subsidies, Links With Agrarian Party

954F0856B Moscow NEZAVISIMAYA GAZETA in Russian 31 Dec 94 p 2

[Article by Faina Osmanova under the "Agriculture" rubric: "Aleksandr Nazarchuk Demands Finances. The Agriculture Minister Foresees Further Rapprochement of the Party and the Government"]

[FBIS Translated Text] Aleksandr Nazarchuk, the Agrarian Party representative who has recently been appointed minister, intends as a first step in his post, together with parliament deputies, to convince the government, with the final confirmation of the 1995 budget, to strengthen state support of the agro-industrial complex [APK]. In Aleksandr Nazarchuk's opinion, "Agriculture is precisely the branch that more than anything needs state support." In his words, today, with respect to the main types of foodstuffs (milk, meat) as compared to 1990, production has decreased by a factor of two. Prices for agricultural production in four years have increased by a factor of three and a half. If in 1990 one could buy a "liter" of diesel fuel for a kilogram of grain, today in order to obtain the same quantity of fuel, one needs four to five kilograms. The APK this year received R9 trillion in credits, but the interest rate was from 80 percent to 210 percent, and about R10 trillion—including approximately R7 trillion directly for agriculture—has been used up by this interest. "The government is now simply compelled to make a decision on spacing out the credits over 10 years and to take upon itself half of the interest," Mr. Nazarchuk is convinced. "The financial situation is such that, even taking all the interest into account, we were contemplating approximately R3 trillion in profit. In fact, however, our profit amounts to approximately R1.5 trillion. In practical terms, we received half of the projected amount from the 1994 budget. The investment complex suffered especially seriously; we did not receive budgetary funds for investment, and we also failed to receive money from the support fund," the minister says.

"I am for preserving the resources for the support of the APK through a 2 percent special value-added tax. And, if these resources are preserved through a special tax, only then will it be possible to direct R4-5 trillion to the support of the APK. We would like to support the basic directions of the development of the APK (pedigree stock-breeding, elite seed-growing, soil fertility), that is, the priority branches. Now, with the support of the government, the draft statute "On an Investment Fund" is being prepared, bringing in commercial banks, both Russian and foreign, in order to finance projects that can bring quick returns. The government has taken upon itself guarantees to reduce the risk."

"Today the opinion is current," stresses the minister, "that the production fall in the APK is not as intensive as in other branches. If industrial production has decreased by 27 percent and APK production by 8 percent, then that is not so terrible for the APK. For 1995, the Ministry of Economics included in its program a planned drop in agricultural production of 10 percent. That, in the opinion of the specialists, is inadmissible, since 10 percent is an enormous loss in the herd. (In sheep raising, we have already lost 10 percent.) If, after the budget is adopted, a leasing fund is not formed and the stores of energy resources are not supplemented, then we will not be able to accomplish 70 percent of the planned technological tractor work. Of course, we will be able to do the sowing, but what will we reap? As the residual principle of financing of agriculture was, so it remains," the minister remarked in vexation. In Mr. Nazarchuk's opinion, "In this question, a well-considered state policy is especially necessary. After all, today we no longer have the power to guarantee foodstuffs for the city." The minister is concerned about the connection that has been established between the production slump in Russia and the price dynamic on the world market: "It was enough for us to lose our production of sugar beets this year, and the world market immediately reacted. In May, the price for sugar was $300-$320 per tonne; today it is $470. The same will happen with milk, with meat, and with all the rest of the products that we cease to produce."

The Agrarian Party

The governing board of the Agrarian Party of Russia [APR] recommended to its regional organizations "measures to avert a new attempt at schism" of the peasant movement. "The danger of schism," the governing board of the APR stressed in a letter, arose on the part of the Association of Peasant (Private Farmer) Farms and Agricultural Cooperatives of Russia (AKKOR) and the new sociopolitical movement that was created in December under its patronage, the Union of Landowners of Russia. The APR board is especially worried by the fact that First Deputy Prime Minister Anatoliy Chubays and AKKOR president Vladimir Bashmachnikov, who spoke at the movement's founding conference, "citing the experience of several farms in Nizhniy Novgorod Oblast, again declare that if 'a model of management is not imposed on the peasants, they will make the wrong choice.'" The political pivot of the peasant movement of Russia is, in the opinion of the APR board, the Agrarian Party of Russia and its "solidary union" with the union of APK workers (Aleksandr Davydov, chairman) and the Agrarian Union of Russia (Vasiliy Starodubtsev, chairman).

After his move to his official position, the minister changed neither his views nor his party: "I am a member of the Agrarian Party. I cannot be in the government and fail to stand up for the interests of the party. Then I would have to switch to another party. There is no particular confrontation between the government and the party of agrarians. I think that complete mutual understanding between the government and the party will come, but not through the brain center, but through

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the stomach." Evidently, the minister means the prognoses such as the document of the Russian Federation Committee on Trade that came up in the State Duma. In it, it is said that in the first half of 1995 the country could be faced with a deficit of meat, basic types of dairy products, vegetable oil, and sugar. In October, purchases of milk on all categories of farms amounted to 1.4 million tonnes, with an expenditure of 2 million tonnes; production of butter—25,000 tonnes, with an expenditure of 51 million tonnes [as published]. The deficit of dairy products amounts to on the order of 2.5 million tonnes, including butter—70,000 tonnes, and powdered milk—about 30,000 tonnes. Over 10 months of the current year, enterprises of the oils and fats industry produced, according to information of the Russian Trade Committee, 584,000 tonnes of vegetable oil, or 61 percent of that envisioned in the balance sheet and 70 percent of the previous year's level.

Reforms

Aleksandr Nazarchuk does not intend to conduct any kind of revolution, which he said (after his appointment) at a meeting of ministry officials. Here the minister stressed that he "suffers all the miscalculations and failures of the APK as his personal tragedy." Aleksandr Nazarchuk does not agree with the opinion that with his arrival at the ministry, "an end has come to agrarian reform." Those who assert this "simply do not share" the conviction of the new minister that "without the appropriate state support," Russia's agrarian sector will not survive, the minister believes.

"I am for the fact that today it is necessary to change production relations. We must not stand in place, but we must also not close our eyes to what is happening today. Already, 93 percent of the land is not state land. Farms are becoming joint-stock companies and partnerships, although it must be noted that 30 percent of them are the kind that must be done something with, and if there is no intervention, they will simply collapse! I was in Nizhniy Novgorod and familiarized myself with the Nizhniy Novgorod model of land privatization and the reorganization of agricultural production, and I believe that that model cannot be the only one for all of Russia. If one is to speak about the same conditions for all forms of management, one must not abuse this." In the opinion of Aleksandr Nazarchuk, " 'sacred land ownership' alone" is not enough.

It is necessary to create for agricultural producers "normal economic conditions." In this direction, the minister is prepared to cooperate with anyone, "from Gaydar to Yavlinskiy"; however, as regards trade in land, here not a few questions arise. A decision to introduce a moratorium on trade for 10 years has been taken, but today in accordance with a government decree, it is permitted to trade not only in land, but in the very certificate of ownership. As they sold vouchers, so they will start to sell certificates as well, fears Aleksandr Nazarchuk.

"The fact that there are positive aspects to this model should not be denied," emphasizes the minister. "When I am asked: 'Which model are you for, the Nizhniy Novgorod one or not?' I answer: "I am for this—that the perishing collective should not wait for something to fall from the sky, but all this should take place against a normal economic backdrop. Nevertheless, if there is no support from the budget, then in today's conditions it will be hard to survive, whatever the model we use. If one is to speak more specifically about this model, then agrarians are not well served by turnover of shares of land."

The Sowing Campaign

"Regarding preparations for the spring sowing campaign. Altogether we have provided the farms with seeds. A great deal of travel is required around the territory, between farms. Fertilizers are needed. It is necessary to resolve questions with the budget, connected with compensation of part of the value. There is no fuel. There is no money for spare parts: Before the harvest, we guaranteed farms R147 billion worth of spare parts; today, there is no money for the winter and for preparation of machinery for the sowing. One has to ask for postponement of old credits and to add new ones on. Also in the first quarter, R3-4 trillion will be necessary for preparations for spring field work. Otherwise, the sowing could simply not get done. Especially since we cannot do without current credits—but naturally, not at 190 percent interest. Otherwise, it will be that same corner into which we were driven and out of which we now cannot get out!"

The minister could not give a prediction on next year's harvest; however, he expressed absolute confidence that the winter will be a cold one.

Tretyakov on Possibility of New Coup

954F0856A Moscow NEZAVISIMAYA GAZETA in Russian 31 Dec 94 p 1

[Article by Vitaliy Tretyakov: "An Alternative to Yeltsin: It Will Be Named by the President Himself"]

[FBIS Translated Text] I can make so bold as to assert that Moscow's political elite is literally waiting for a coup, and it will be quite surprised if such does not come to pass.

Below I will set forth only what is known for a certainty to me personally, or that which seems obvious and likely.

There are politicians who are making ready for 1996 and are thinking about an alternative within that time frame. Some kind of romantic, of the Nikolay Gonchar type, creates the New Union movement, attempting to form a political base in four states at once under a figure who may possibly appear. Such people, as well as Yavlinskiy, I will not now discuss. I am interested by the vital alternatives, so to speak.

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All by itself, a coup d'etat (from democracy to potential dictatorship, via practical authoritarianism) took place, as is well known, in September-October of last year. Today we need to examine the prospects of that which one may call a coup d'etat in three variations, each of which is a consequence of last year's.

The first variation. A countercoup: a return to the situation before 21 September 1993. In this case, the position of the head of state is automatically occupied by the vice president (that is, Rutskoy). But for this variant to come to pass, a combination of political forces would be necessary that is almost inconceivable today.

The second variant is the president's nailing down the coup already accomplished, in the direction of greater authoritarianism, through the replacement of key figures in government and in his own administration. The president is traveling this path, but this variant is not bringing anything fundamentally new, since neither the system of power nor its main figure are changing.

The third variant is the realization of that single clause in the Constitution that allows for the early replacement of the current president. Of course, this is not impeachment (no more realistic than the restoration of the situation before 21 September 1993), but a classic "genie from a bottle," making the current prime minister the head of state. But, first of all, Chernomyrdin himself would never go for this. And second, he would not be permitted to accomplish this, for the presidential security services are no friends to the current prime minister.

And so a coup d'etat is theoretically and practically possible only in the event that, in Chernomyrdin's place, a figure appears who will find a common language with the president's inner circle, and that the latter itself will desire a coup. And it is important to bear in mind here that this person can be appointed only by the president himself (which is realistic, considering Yeltsin's willingness to replace the head of government), while the "genie in the bottle" is not obligatory, if the president himself withdraws from real power, contenting himself for some reason with a symbolic role. The latter, incidentally, is preferable, for it does not violate the apparent legitimacy of the transfer of power, and does not cut the new team off from the possibility of a legal exit from the game.

Who could come up for this role? A whole range of figures falls away.

Luzhkov is discredited in Yeltsin's eyes.

Skokov is too cautious (and therefore will never win a decisive skirmish) and too independent when he takes some position, so that he cannot suit potential participants in an action, if one is brewing.

Shumeyko is necessary as head of the upper chamber, but he himself is too nimble and unreliable.

The candidacy of any Army general falls away (for many reasons), but undoubtedly the top echelon of the Defense Ministry must be assigned a special role. Of course, General Grachev is above suspicion, for he does not exist if there is no independent Yeltsin. By the way, the push-and-pull of the Russian military machine dancing its strange dance around Groznyy demonstrates, aside from anything else, the positional struggle of the various power structures and special services relative to the problem of power.

Yerin is the same kind of hostage to Yeltsin as is Grachev. But if the former can in no way subdue Chechnya, the latter can in no way begin an effective struggle against crime. This is a key point, and I will come back to it again, once I have briefly made the rounds of a few more structures that will be important in this game, if it is conducted.

The State Duma. Its role is secondary, and for that reason neither Yeltsin himself nor anyone standing behind his back will touch the Duma. However (attention!) the Duma confirms the candidacy of the prime minister. It is very important that the new man be passed there.

The Federal Counterintelligence Service, headed by Stepashin, is not taken into account here.

The General Procuracy—Ilyushenko is absolutely not independent, and therefore he will carry out the will of the victor.

The Moscow Government. With the disgrace of Luzhkov in the Kremlin, it will immediately splash out two or three key cadres, which will be at least sufficient to counterbalance Yuriy Mikhaylovich.

The new commercial structures. Each of them separately is insignificant before the state (which has been intentionally demonstrated more than once in recent months). This is what I have heard from people who, in the opinion of the masses and of the newspaper scribblers, can twist the government around their little finger: If the state wanted to, it could destroy us in three days. In other words, here one can always find figures who depend more on those who will be around tomorrow than on those who are around today.

What are the counterweights (from the people close to Yeltsin)? Possibly, in addition to the "power men" already listed, Ilyushin and, apparently, Lobov. So there are not many counterweights, if we do not count the president himself, who, trusting no one except himself and Korzhakov, is testing the ground, just in case, in relation to the radical democrats (Chubays' current status is no accident—both Yeltsin and Chernomyrdin needed him as a counterweight to Soskovets; but how long can Chubays hold on?), and in the direction of Zhirinovskiy.

Now let us return to the problem of corruption. ROSSIYSKAYA GAZETA, whose sympathies are more than evident, in its 28 December issue, from the lips of a

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certain Vladimir Klimov, speaks in a way that is crystal-clear to the initiated: "Operation 'K' (let us call the struggle with corruption [korruptsiya] by this name) has begun. The person who heads it and brings it to a conclusion will earn the trust and gratitude of the people, and will return Russia to greatness and honor."

"K," of course, has a second expansion—Korzhakov. But to head the struggle with corruption is fitting for a man of the rank of deputy prime minister or even first deputy prime minister. And there is your solution to the problem of several power ministers and special services leaders. Incidentally, whether it is "K" or "B" makes little difference at this point.

It must be acknowledged that both Korzhakov and Barsukov have conducted themselves lately in an intentionally open manner (which was not the case before), and that means, from a position of strength. They are clearly provoking their rivals to an ill-considered sally in the direction where the mousetrap has already been set.

For the culmination of this scenario, it remains to be clarified with whom in the government "K" (or "B") could theoretically come together. That I do not know, for Mr. Chernomyrdin has constructed such a wall of secrecy around his White House that it is exactly under it that it could be buried.

Let us sum up. The last variant, the most theoretically likely and practically possible today, in the final analysis is doomed to failure, for it requires a virtual police state, which can no longer be created in Russia, even with Yeltsin, let alone without him. But some separate elements of this scenario will clearly be realized in the near future, creating the illusion of a coup in progress.

It is paradoxical but true that the most realistic alternative to Yeltsin in the near future is a neo-Yeltsin, so to speak, continually shifting pieces on the chess board, so as to always hold in his hand the queen and the king's pawn that takes it.

The problem of the physical condition of the players and the volume of compromising material that their rivals have on each of them I have not taken into account, for lack of reliable information. But one need not doubt that these trumps are also in the game.

Happy new political year, ladies and gentlemen!

Regional Affairs

Ingush Vice President on Chechnya Crisis

954F0830A Moscow OBSHCHAYA GAZETA in Russian No 1, 29 Dec 94 p 2

[Article by Boris Agapov, vice president of the Republic of Ingushetia and lieutenant general of border troops (ret'd): "Russia Needs Chechnya Territory, but Does Not Need the Chechen People"]

[FBIS Translated Text] I and, probably, all who have the opportunity to observe the development of the Chechen crisis from within, so to speak, have the constant feeling that what we have here is some strange mistake that could signify the most catastrophic consequences for us. It is hard to say whether this is explained by the total absence of any degree of professional training whatever among a number of leaders and functionaries of various ministries and departments (this applies particularly to those who are responsible for the implementation of the state's nationality policy) or whether we have encountered perfectly well thought-out actions, ill-intentioned, I would say even. In both cases, in my view, there is one and the same explanation for this mistake or ill intent: The leadership of our state perceives the problem of the integrity of Russia exclusively in territorial terms. Yet in actual fact far more concern should be displayed for a different kind of integrity—national. Yes, it so happens that today the Chechen people have found themselves in a most serious situation. First there was the protracted Caucasus War, when the Chechens, who were unwilling to give their land to anyone, were flat-out exterminated. There was Stalin's deportation, in the course of which the entire people were in several days deprived of their fatherland, not to mention such "trifles" as property, housing, and so forth. Today Russian aircraft are bombing Groznyy and its surrounds. How, by what state interests, can all this be explained? It cannot. There is no justification. We hear from day to day politicians of various levels reiterating, each in his own fashion, these words: "territorial integrity." And gradually, belatedly—it is simply impossible to believe this at first—there comes the strange understanding: Russia needs the territory of Chechnya, but... it does not need the Chechen people. It needs the oil and other minerals, the mountains, the land, only not the people who live on this land (just as earlier the Ingush who lived in Prigorodnyy Rayon and who were kicked out by Russian troops within just three days were not needed). Does anyone believe that if I and other Russians understand this, the Chechens do not? Why should they love this country, which has absolutely no interest in their misfortunes, their sorrows, their pain? A country that has without a second's hesitation brought them to the brink of annihilation. We were hearing the following arguments from the Chechens even earlier: "Why should we come to you, to Russia? To an indigent, hungry place that has forgotten what is meant by human rights and which is awash in crime? Bring order to bear at home and build a healthy state based on the rule of law, and then no one will have to force us to return to Russia. We will return ourselves." What might they be saying now?

And what might those who are observing all this from outside be saying? From the outside thus far. Yakuts, Tuvintsy, Tatars, Bashkirs, Jews.... After all, they understand full well that they could pretty soon find themselves in the place of the Chechens. And it would be their land and homes that Russia needed. And they, as spent, wholly useless material, would be cast aside....

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These are the true preconditions of the country's collapse, this is the threat to territorial integrity with which the statesmen are intimidating us. And we have found ourselves confronted by this threat not before but after the commitment of troops to Chechnya, not before but after the start of combat operations in the Chechen Republic. And the further people from the notorious "war party" go in their ambitions, the sooner this threat will be translated into reality. So would it not be better if only now, albeit belatedly, to call a halt? Even having forgone personal ambitions....

Researcher on 'Myths' of Nizhniy Novgorod, Ulyanovsk Chiefs

954F0852A Moscow SEGODNYA in Russian 31 Dec 94 p 10

[Article by Arbakhan Magomedov: "Political Ritual and Myths of the Regional Elites"]

[FBIS Translated Text] **We offer readers an article from the quarterly ZEMSTVO devoted to the life of the Russian heartland. ZEMTSVO is published in Penza singlehandedly by Valentin Manuylov.**

Arbakhan Kurbanovich Magomedov was born in 1961. A graduate of the History Faculty of Saratov University. A candidate of historical sciences and senior lecturer and head of the History and Culture Department of the Ulyanovsk Polytechnical Institute. The field of his scientific interests is the problem of ruling elites and political leadership. Author of the monograph "Dialogue on a Current Topic: Views From Two Shores of the Ocean" (Saratov, 1992). It was published in the journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA.

The researcher analyzing political myths and rituals has no chance of converting his discoveries into statistical symbols. These concepts barely lend themselves to specific computation. It is for this reason, evidently, that the role of political rituals as an explanatory variable has yet to be duly appreciated by Russian specialists. Although hardly anyone would deny that the personal style of the political leaders and ruling elites of individual Russian provinces exerts a tremendous influence on policy. Political ritual represents in full the stage-setting of the myths that contain the goals and values of the ruling elites.

It proved easy to subjugate post-August Russia, which was left to face the horrors of "shock therapy" alone, by an exaggerated dramatization of events. Society's illusions, fears, and hopes were oddly refracted in this historical segment of time. Against this historical background two typically Russian regions—Ulyanovsk and Nizhegorod Oblasts—became objects of the most extravagant notions. In evaluating what is happening in them, the news media embarked solidly on the path of sensation. This was partly a consequence of the fact that both provinces had in their own way thrown down a challenge to all of the rest of Russia, having opted for their own models of transition to the market. And to some extent the images of these regions were fabricated for purely propaganda purposes and used by various political groupings in their own interests. Let us briefly examine such mythological structures.

Nizhniy Novgorod is in a purely fairground style presented as the capital of the Russian reforms. In this image the region has become the publicity patrimony of the Yeltsinites. The local governor Boris Nemtsov, is one of the most avowed favorites of the Kremlin and the "crown prince" of Russian politics. As a result Nizhegorod Oblast has a clearly expressed leadership complex with a fair share of reform messianism. The vaunted Nizhegorod experience has been served up with such zeal that the conclusion drawn by I. Klyamkin concerning the local populace's perception of the local privatization of trade and services has gone unnoticed. The conclusion is sensational and says that the total operating life of Nizhegoroders' support for this process is quite short, and their evaluation of it, below the Russian average. This confirms once again that the distance between the myth and objective reality is enormous.

Ulyanovsk Oblast is endowed with an entirely different mythological image. Journalist radicals from the capital and the localities having set the ball rolling, the region is portrayed as a place where the communist nomenklatura headed by the "red administrator" Yuriy Goryachev (V. Selyunin's definition) calls the tune. Such evaluations appeared after the Ulyanovsk leadership had distanced itself from the Yeltsin-Gaydar shock-therapy policy. Since that time the region has received a whole bouquet of insulting descriptions from the mouths of reformer liberals. The most colorful of these are the evaluations of Ulyanovsk Oblast as a "reservation of communism," "bastion of stagnation," "Russian Vendee," and so forth. After all, Yu. Goryachev created an extensive zone of doubts as to the universalism of Gaydar's policy. And the existence of a region where, according to the rumors and reports of the press, an inexpensive consumer basket had been preserved, involuntarily compelled the population of other provinces to cast a glance back to the times of the pre-perestroyka Eden.

The adduced mythology contains a number of overt and covert functions of the shaping of policy, showing that we have before us in the person of the Nizhegorod and Ulyanovsk elites analytically exclusive entities. This exclusiveness, which is expressed via ritual specifics, represents an insistent challenge to contemporary political science.

Such mythologization was the result of a more general process of the self-determination and ever-growing politicization of the regional elites. A commonplace of this politicization were the promotion and exploitation of the regional expectations of the population, which were objectively manifested against the background of a decline in traditional state values and the degradation of the creative political will of the center.

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Almost simultaneously, as of 1992, the leaders of Ulyanovsk and Nizhniy Novgorod declared that political instability and the textbook-standardized Gaydar version of transition to the market should remain outside of their regions. B. Nemtsov and Yu. Goryachev attempted by this step to satisfy the need for social patronage that had increased among the population. The statements and actions of the Nizhegorod elite were incomparably more pretentious here. We would immediately note a most important feature of its political style: **All the reform initiatives headed by the Nemtsov team have on each occasion been tossed into the scales of public impressionability.** The first such measure was the invitation to Nizhniy Novgorod of G. Yavlinskiy, an economist of world renown, for the elaboration of a local market model. The cooperation took the form of the creation of an analytical expert center, which created the precedent of political competition with the Gaydar team. Yavlinskiy's "EPIcenter" gained the reputation of a mythical intellectual headquarters ensuring the invariable success of the reforms. This undoubtedly multiplied the illusions of the Nizhegorodets and the envy of other Russians, generating sizable political dividends for the Nemtsov team.

Thus what was urgent for the Nizhegorod ruling stratum was not an orientation toward market reforms assimilated via the capital but the formulation of an in-the-lead reform style. Consolidating these aspects of political behavior, the Nizhegorod elite has been attempting to outdo Moscow and impart to its region the political status of leader. The self-assertion of the Nizhegorod ruling group is taking place not only within the framework of the assimilation of an independent concept of government. It is being manifested even more effectively under the conditions of the conflict with Moscow. Even if this conflict is of a populist demonstration nature. The once-sensational appeal of the Nizhegorod authorities to the Constitutional Court for suit to be brought against the Gaydar cabinet in connection with the cash shortage in 1992 is a case in point.

In many respects the Nizhegorod ruling elite is proving itself to be ahead of everyone else also in terms of the assimilation of Westernized elements of political ritual and the corresponding direction of political behavior. Take if only such a factor as the influence of money on policy and the level of integration of the leading politicians and businessmen. As a person building capitalism in one region individually, Nemtsov is looking after the new property elite of Nizhniy Novgorod. The basis of his relationship with the managers of the leading commercial firms and projects is the principle of personal favoritism. These people perform the functions of the governor's informal advisers and constitute his "kitchen" cabinet, as it were. Although B. Nemtsov is trying to demonstrate that his political-spatial position is outside of groups it is hard to exaggerate the influence of this entourage on the governor's policy. Thus Andrey Klimentyev, the local billionaire and head of a Russian-Norwegian firm, financed Nemtsov's expenses at the elections to the Federation Council. Klimentyev laid out approximately R100 million altogether on the organization of the television broadcasts, music shows, and sundry activities of his wards.

The Nizhegorod ruling stratum headed by Nemtsov has rapidly and readily imitated the glitz, manners, and style of life of the Western political establishment. Tennis matches, fashionable receptions, and meetings with the habitues of European political salons have become a customary phenomenon of local life. The Nizhegorod governor stated not without pride that his passion for tennis is not an aspiration to emulate Yeltsin and his entourage. That he began to play tennis long before Yeltsin's demonstrative appearances on court. The festivals in remembrance of A.D. Sakharov, which are organized annually, bring together here not only the national but also the local beau monde. No other leader of the Russian heartland has gathered around himself such creative personalities: Mstislav Rostropovich and Dora Shvartsberg, Yuriy Bashmet and Yevgeniy Reyn, Nikita Mikhalkov and Genrikh Sapgir, and others. Russian and world celebrities are becoming publicity agents, as it were, for the local ruling elite. The facade of Nizhegorod policy is turned toward Europe and the West.

The political ritual of the Nizhegorod elite primordially contained theatricalized actions and was, on the whole, based on immense political optimism. This is the "consumption-off-the-premises" style of politics. Such demonstration represents a most important component of the local political ritual. It is this publicity aspect creating for Nizhegorod Oblast and the Nizhegorod leaders an impeccable and idealized image that is attracting the attention of Western politicians, investors, missionaries, and representatives of artistic Bohemia, which is securing for Nemtsov a crossflow of public energy and public affections from the assets of other prominent Russian politicians. The myth of the "Nizhegorod miracle" is being supported and impregnated by this energy to a considerable extent.

The nature of the political rituals points to the highly differing nature of the values and goals of the Nizhegorod and Ulyanovsk ruling elites. As the American political scientists Peter Bachrach and Morton Baratz rightly observed many years ago, a conscientious analysis of any political elite is impossible without consideration of what they termed the "mobilization of the predilections" of the members of the ruling groups. It is this mobilization that expresses the main principle of the existence of an elite—that of group domination. The exponents of the Nizhegorod myth are predominantly young technocrat intellectuals, who possess such distinguishing qualities as erudition, self-confidence, and pragmatic idealism. They constitute the lead stratum of the local elite. Their political socialization was greatly influenced by the cosmopolitan ideas of A.D. Sakharov, the early democratic slogans of the era of "great politicization" of 1989-1993, and familiarization with Western

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living standards. It is largely for this reason that the aspirations of the Nizhegorod authorities are geared to the horizontal spread of their ideas, practice, and image. This is the horizontal-type mobilization by the local elite of funds and resources, affections and enthusiasm from all possible sources. It was from such representatives of the local political personnel that the "breakthrough nucleus" prepared for a decisive act of innovation took shape in 1992. This process has turned the oblast into a kind of proving ground of the implementation of ambitious market projects (the selling off of state property at auction, the mass formation of stock companies from state-run enterprises, the formation of a regional land market, and such).

The process of the assimilation of its own political handwriting by the Ulyanovsk elite has been more dramatic, although outwardly less flamboyant, than in Nizhniy Novgorod. The first six months after the August putsch (when the new Russian elite acquired a taste for the borrowing of Westernized habits and rituals) introduced a certain confusion to the symbols of the Ulyanovsk authorities. This was a brief "unclear-line" stage, in the course of which Yu. Goryachev attempted to alter the image of his leadership within the framework of the new ideas concerning power. The said reorientation led to the appearance, also for a short space of time, of Westernized elements in the political ritual. The creation of the institution of gubernatorial advisers and also the attraction of intellectuals to the local administration should, primarily, be put in this category. V.T. Chaya, professor of economics, held the post of deputy governor for economic matters. A group of scientists in February 1992 drew up a plan of the structure of administration of the oblast based on the principles of self-government and a separation of functions. A variety of "brain-storming" sessions aimed at injecting a scientific note in local policy became fashionable. In a word, there was a process of discovery of a new tradition of the exercise of power. These steps evoked short-lived euphoria in the local radical-democratic press.

But it was soon ascertained that the rational limits of the assimilation of Western standards of political life were exhausted. The Westernized style did not come easily to the local elite. The values, behavioral standards, and social experience of this ruling group took effect.

As distinct from Nizhniy Novgorod, the strategic positions affording an opportunity for decisionmaking and the determination of the priorities of local policy were retained by the former ruling group. The directive personnel of Ulyanovsk represents an exclusive entirety that has inherited the old nomenklatura corporativism in full. Relationships within this personnel are distinguished by a profound commitment to the rules of the prescribed roles. Models of the traditional administrative courtesy came in time to replace the Europeanized etiquette. Liberal ideas and Westernized rituals were doomed to slide along the surface of political life, simply not crossing over to the level of the natural habits and reactions of the local elite. Oleg Berlyand, an intellectual and entrepreneur and one of the governor's "new" advisers, once perceptively pointed to this fact as the principal obstacle to the spread of the new ideas.

These apprehensions were confirmed. Intellectuals and market supporters were squeezed out to the periphery of the directive space of the region, not having obtained an opportunity to shape the "agenda" of local policy or influence the distribution of resources. And the ruling elite of Ulyanovsk finally cooled toward Europeanized stage settings.

The imitation of Westernized rituals had been passed off by the Ulyanovsk leaders initially as a guarantee of liberal loyalty. This was a kind of a beginning of a public response to the democratic values that were being assimilated by the regional elites via the center. This imitation lessened at least somewhat the irritation of the Russian reformers. For the Yeltsinites saw Goryachev's policy as a far-reaching revision of the official Gaydar teachings of transition to the market.

Yu. Goryachev demonstrated in this case the qualities of a true politician—a heightened sensitiveness in the identification of his political practice and the dominating political trend in society. The borrowing of Europeanized rituals was purely functional: It was a question of imparting to the local authorities (which had barely gotten over their fright following the August putsch) a new dynamism, having endowed them with an enlightened image.

Thus the contradiction that arose between the Westernized stage settings and the established traditions of the ruling elite proved insoluble. The idealized period of ritual innovations was very quickly moved aside by a new doctrine in a more customary style—the style of popular leadership of Yuriy Goryachev. This reorientation contained a tacit rejection of many of the values preached by our Russian establishment.

It was easy to see that the economic policy of the Ulyanovsk authorities (which acquired the important-sounding name of the "Ulyanovsk phenomenon") could not have failed to have evoked among their opponents associations with the communist style of government. They believe that the "Ulyanovsk phenomenon" could have emerged only within the limits of the logical consequences of the "obkom style" of management of Goryachev and his entourage. Goryachev's most radical critics, however, connect his policy with the darkest aspects of the party nomenklatura style of rule.

Yuriy Goryachev found his political image among the set of roles that were associated with the notions concerning a popular leader. In this respect the myth of the popular leader differs from the former doctrine of communist power, with which it has only some principles in common. Political symbols—the coupon system, administrative regulation, a steady social orientation—truly show him to be a popular leader committed to a vague

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antiliberal egalitarianism. The role of public defender has become for Goryachev a ritual expression of the mass patrimonial expectations of the population that emerged right at the start of 1992 in the face of the mythical horrors of the "shock" therapy. This connection was caught very observantly by Adi Ignatius, correspondent of the WALL STREET JOURNAL: "It would have been hard to have set the Ulyanovsk model in motion had there not been at the controls a leader like Mr. Goryachev—smart and paternally watchful of his wards."

The choice of such a role made for the corresponding style of management of the head of the local elite. Despite a certain aspiration to conform to a Europeanized cultural standard, from the very outset he nonetheless intuitively linked the efficiency and effectiveness of his power with piety and justice. Such activities as regularly organized fall and spring fairs at the central marketplace and open-letter days in the districts (meetings with the populace at village clubhouses) have become events confirming the gubernatorial vision of local political reality. They confirm Yu. Goryachev's belief in the fact that the majority of the population has a loyal attitude toward him. This belief is sincere and is based on the Ulyanovsk leader's concern for the needs of the ordinary people. In dealings and contacts with them he has felt his way toward the optimum style of realization of his image. So Goryachev is to be found among a stage-managed outdoor gathering at a fair in clothing in no way distinguishing him from the mass of citizens. Here he is strolling along the rows of stalls and inquiring about prices. Here he is in a store surrounded by elderly customers. Here he is inspecting agricultural equipment in a field.

For the local populace its own, native Goryachev has become a guarantor of stability and an ideal model for self-identification. Goryachev himself also prefers to appeal to the people without a desire to maneuver or compromise with other political forces. "People's trust is the main stimulus in work"—this affirmation runs as a steady refrain through all his speeches.

Against the background of the unprecedented grabbing and sensational exposures of the new nomenklatura, Goryachev has in his activity taken as a basis principles that many find attractive. Goryachev's behavioral standards in his dealings with the people are contributing to the creation around the personality of a charismatic aura. The latter is becoming established not only thanks to the mystical perception of Goryachev by the majority of the local populace as an object of complicity but also thanks to the ritual charismatic arbitrary action on his part in respect to representatives of the local elite. Goryachev's political style is characterized by a moralism that has found expression in the regulation not only of the public but also the private life of members of the local bureaucracy. The support of the populace and the policy that he is pursuing have afforded Goryachev grounds for public criticism and administrative sanctions against leaders who have besmirched themselves by malfeasance or who have displayed personal immodesty even. Such tactics have been reinforced as the difficulties in the further implementation of economic policy have grown. Thus from 23 February through 1 September 1994 Goryachev imposed a moratorium on the purchase of official automobiles for local administrations. For stricter control of the district authorities the governor intends to use a helicopter, on which he can promptly visit the districts and farms of the oblast. The governor responds by these statements and measures to the complaints of the population of the rural heartland. This style has confirmed the decline in the prestige of officialdom in the context of the officially propounded myth. In each of these instances Yu. Goryachev has appeared as a defender of the interests of the people, increasingly exasperating the Europeanized elite of the center and neighboring provinces.

This practice serves as an integral part of the political ritual of the Ulyanovsk ruling group. It shows clearly the command instincts of rule inherent in the Ulyanovsk leader and his entourage.

Yu. Goryachev may be called the brains, engine, and living idol of the Ulyanovsk economic model. The latter represents the result of the vertical mobilization of the local ruling elite, as distinct from the horizontal mobilization of the Nizhegorod leaders.

With the aid of original political stage settings and cultural standards the Nizhegorod and Ulyanovsk ruling groups have attempted in their own way to expand the sphere of their political responsibility. The Nizhegoroders, thanks to the conquest of new frontiers, the Ulyanovskers, thanks to commitments to their citizens.

The comparative study of the political rituals and myths of the regional ruling elites that has been offered makes it possible to formulate the following conclusions.

First, the specific features of the political ritual in different lands of Russia personify different modes of self-determination of the regional elites and different philosophical paradigms of these ruling groups. The self-awareness and self-determination of the local elites via the formation of a specific "theatrically effective situation" take shape in the course of conceptualization of the problems of the transitional period. Paraphrasing the well-known expression, it may be said that political ritual represents the live creativity of the ruling groups en route to their self-affirmation.

Second, the political rituals and myths in this case perform the role of self-identification symbols for the elite groups. And the harmonization of the relations of the central and peripheral elites lies on the path of recognition of such theme-setting, not on the path of the caricaturing of original regional development models or a deliberate de-humanization of the leaders and ruling groups of these regions.

Third, the opinions that have been adduced make it possible to refute the unduly lightweight notions

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describing political ritual merely as a florid background on the stage of political life and regarding it as something incidental, elusive, and fundamentally inaccessible to scientific analysis.

Yamalo-Nenetsia Newspaper Shutdown Detailed

954F0876A Moscow IZVESTIYA in Russian 11 Jan 95 p 2

[Article by Viktor Filippov, IZVESTIYA: "Freedom of Speech in the Province: Sell Yourself or Die"]

[FBIS Translated Text] Nenetskiy Autonomous Okrug. **Yuriy Komarovskiy, the governor of the Nenetskiy Autonomous Okrug, accused IZVESTIYA of "distorting the real state of affairs."**

A short note printed at the end of November in IZVESTIYA No. 230 served as the reason for the accusation. The note, under the heading "Governor Closes Newspaper on the Day of Its 65th Anniversary," recounted the abusive behavior (if we are to call things by their names) that the Nenets authorities allowed themselves vis-a-vis the okrug newspaper NARYANA VYNDER (KRASNYY TUNDROVIK). Workers of the editorial staff and the print shop, who gathered to mark the 65th anniversary of their newspaper, were dumbfounded by the announcement of the governor's press service that Yuriy Komarovskiy made a decision on the withdrawal of the administration from the founders of NARYANA VYNDER so that "the editorial collective would independently resolve all questions on the publication of the newspaper."

But, for any newspaper today, the financial question is very important: Where is one to raise the money for the publication? The incomes from subscriptions and advertising make up about a third of the sum that NARYANA VYNDER needs to survive. The rest was paid from the local budget by the cofounder—the administration of the okrug. That is why the journalists interpreted Yuriy Komarovskiy's decision so unambiguously: The governor is closing NARYANA VYNDER—this is the only printed source of information about local life for 60,000 residents of the okrug.

The Nenets governor reacted to the note in IZVESTIYA with an official letter, insisting on its publication, which, in the opinion of Yuriy Komarovskiy, "will serve to restore the truth."

"The essence of the matter is completely different," writes Yuriy Komarovskiy, "the administration of the okrug has repeatedly expressed and is expressing disagreement with the editorial staff of NARYANA VYNDER, which is conducting a unilateral and clearly tendentious interpretation of events in the okrug, and it frequently publishes false information.

"It is quite logical that the administration cannot bear joint responsibility with the editorial staff for this kind of bias in published material, while remaining a cofounder of the newspaper. It is exactly for this reason that the okrug administration, using its legal right and the appropriate provision of the founding contract of the newspaper, made the decision to withdraw from the NARYANA VYNDER founder's structure. This occurred, incidentally, not in connection with the anniversary, but after this event.

"It is also impossible to disregard the fact that the NARYANA VYNDER management committed serious violations of juridical requirements (to this day, the newspaper has not been reregistered in Roskompechat in accordance with legislation in force) and financial discipline (right up to 1994, not one report has been submitted to the finance administration of the Nenetskiy Autonomous Okrug). Meanwhile, even under these conditions, the financing of the newspaper that is envisioned in the okrug budget has not been stopped. It continues to arrive in full volume. The okrug administration also continues to publish official documents in the newspaper."

Colleagues from Naryan-Mar sent me an issue of NARYANA VYNDER that carried a statement of the press service of the governor of the okrug and comments of the editor in chief of the newspaper, Aleksandr Zaytsev, on this announcement. The commentary starts with this kind of a sentence: "On the day when the editorial and printing collectives were celebrating their 65th anniversary in a festive situation, an oral warning came to light on the breaking of the founding contract and a published statement immediately followed this..."

Other facts from this commentary also for some reason contradict that "truth" which Governor Komarovskiy wished to restore with his letter to IZVESTIYA. It turns out that the editorial staff turned in the documents for the reregistration of the newspaper to the governor's press service for final revision a long time ago, but the documents were buried there, in the press service. The most likely reason is that the okrug administration wanted to expand its cofounder rights right down to the appointment of the editor in chief of the newspaper, but the journalists insisted on the right to elect the editor in chief in their own collective.

As for tendentiousness and lies, then, judging by the extensive statement of the governor's press service, the only example of this journalistic flaw is the publication of information in NARYANA VYNDER concerning a 50-percent addition to pay that the officials of the okrug administration receive regularly. Given the total lack of money of the geologists and reindeer breeders, the officials protected this information on their incomes more than a state secret. Therefore, no wonder the newspaper blundered a little and printed that everyone has a bonus, down to the most junior specialist, but it turned out that only the governor, his deputy, and someone else from the leadership got one.

"I do not agree with the governor's assessment of our work," says Aleksandr Zaytsev, who has been editing

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NARYANA VYNDER for eight years. "We strive to be objective, showing all of the pluses and minuses of the okrug. But, last year, authority turned Komarovskiy's head. He stopped accepting not just criticism, but even another opinion especially expressed publicly on the pages of the newspaper. On his part, there already were several unsuccessful efforts 'to make me listen to reason,' and so now, for the sake of a reprisal against an intractable editor, he decided to close the newspaper."

Today in Arkhangelsk Oblast, which the territory of the Nenetskiy Autonomous Okrug is part of, 26 city and rayon newspapers are published owing only to subsidies from local budgets. And not one of these newspapers is guaranteed against the bitter fate of NARYANA VYNDER. The financial relations of the newspaper and the administration, which has jurisdiction over the local budget, are regulated exclusively by the will of the head of this administration. If he feels like it—he will give money, but if he does not feel like it, do not try to get it. Therefore, the regional press is as free as the head of the region is democratic.

The law on state support of the mass media could save newspapers like this from a terrible choice: Either do a trade on the freedom of speech, or die. However, something obscure is happening with this law for that Russia, which has extended beyond the limits of Sadovoye Koltso.

But financing the NARYANA VYNDER newspaper from the okrug budget has actually not been stopped for the time being. According to the existing procedure, three months have to transpire between the announcement of the governor about the cessation of the cofounder status and its actual cessation. We trust that the newspaper will not die before February. But ,then, what about March?

Decision on Principles of Establishing Forest Tax, Rent Rates

954F0890A Novosibirsk SOVETSKAYA SIBIR in Russian 11 Jan 95 p 2

["Decision of the Novosibirsk Oblast Soviet of Deputies of the First Convocation of the Seventh Session, city of Novosibirsk: On Procedures of Setting Principles for Determining Forest Tax Rates and Rents"]

[FBIS Translated Text] In order to implement priority measures to regulate forest work in the environment of market relations, and in keeping with Point 3 of Article 4 of the Foundations of Forest Legislation of the Russian Federation, the Novosibirsk Oblast Soviet of Deputies

RESOLVES:

1. The procedures of setting principles for determining forest tax rates and rents in Novosibirsk Oblast (attached) shall hereby be approved.

2. It shall be recommended that rayon representative organs of local self-rule set discounts for 1995 for Novosibirsklesprom enterprises within the boundaries of the oblast orders providing for the needs of rayon (city) administrations and budget organizations in paying for standing timber in the amount of 50 percent of payment by the stump for primary exploitation—on condition of conducting selective felling—and interim use.

3. The Committee for Ecology and Natural Resources (V.M. Nozdryukhin) shall be assigned oversight over implementation of this decision.

4. This decision becomes effective the day it is officially published.

[Signed] Head of the Novosibirsk Oblast Administration I.I. Indinok
Chairman of the Novosibirsk Oblast Soviet of Deputies A.P. Sychev

Procedures of Setting Principles for Determining Forest Tax Rates and Rents

Guided by the Foundations of Forest Legislation of the Russian Federation, No. 4613-1, adopted 6 March 1993, and in concurrence with rayon representative organs of local self-rule, the following procedures and terms shall be set for imposing the forest tax and the principles of determining the rent amount:

1. Rayon and city representative organs of local self-rule, at the proposal of the rayon or city administration and the owners of forest lands, set the rates and amounts of the forest tax and the amount of rent on all categories of use of the forest lands.

2. The forest tax is a fee imposed on sales of standing timber; collection of oleoresin and secondary timber material; hay-mowing; livestock pasture; commercial collection of wood juices; gathering of wild fruit, berries, mushrooms, and medicinal herbs; placement of beehives and apiaries; other varieties of secondary forest exploitation; use of forests for hunting needs; and cultural-fitness, tourist, and sports purposes.

3. The forest tax shall be calculated as the difference between the wholesale price for round timber and secondary forest materials, products of [word illegible] use, and expenditures on their purveyance plus profit (PLOTs-(ZP+Pr)). Forest tax-wholesale price-(production costs + profit).

Forest tax and rent shall include land fees for forest lands. The forest tax cannot be less than 10 percent of the wholesale price for round timber and secondary forest materials in the rayon.

4. Forest tax is not imposed when standing timber is sold by forest management organs as a measure of forest maintenance (interim use) and in the course of conducting forest management, fire prevention, forest maintenance, and forest protection measures paid for with operational funds appropriated for forest management.

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5. In leasing out forest lands, the rent is set in the amount of the summary value of the land tax and user fees for timber resources at the rates in effect in the rayons.

6. Forms of payment of forest tax and rents are set by rayon and city representative organs of local self-rule in concurrence with the forest land owners, and are entered in the permit document (timber-logging ticker, license, contract, and so on).

7. Rayon and city executive organs of local self-rule shall have the right, jointly with state forest management organs, to submit to cities and rayons' representative organs proposals for adjusting the forest tax rates and rents for a particular category of use as the need arises on account of inflation but no less frequently than once every half-year.

8. Representative and executive bodies of local self-rule and forest lands owners shall be permitted:

—at the time of issue of timber-logging tickets and other permits to direct at least 50 percent of the amount of forest tax and rent into state forest enterprises' special accounts;

—at the time of issue of timber-logging tickets for leased territories to reduce the forest tax rate for entities leasing forest lands by up to 20 percent;

—in conducting selective primary-use felling, to reduce the forest tax rate and rent by up to 25 percent;

—in selling standing wood for interim use, to reduce the rate by up to 50 percent depending on the timber variety being logged and the quantity of substandard timber.

9. Individuals have the right to gather for personal use wild fruit, berries, nuts, mushrooms, and other edible stuff, medicinal herbs, and brushwood of deciduous varieties upon obtaining the proper permit, as well as set up beehives.

Representative bodies of local self-rule have the right, at the request of the rayon (city) administration, to limit individuals' access to forests when Class IV danger of forest fires is determined; set the time frame and quantity limits on gathering some varieties of medicinal, edible, and technical raw material; and limit or ban auxiliary use in some areas of forest lands.

10. It is set forth hereby that the procurement and distribution organization (seller) that wishes to organize collection of medicinal, edible, and technical raw material for the purpose of selling or processing must have a forest ticket for the right of gathering of procurement of such commodities issued by the forest lands owner.

11. Disputes between enterprises, institutions, organizations, and individuals on issues related to forest exploitation, including leasing parts of forest lands and conducting works, shall be resolved by courts or arbitration courts.

Economic Issues

Economic Institute Assesses Results of 1994 Privatization

954E0436B Moscow ROSSIYSKAYA GAZETA in Russian 1 Jan 94 p 4

[Unattributed report: "Already Co-Owners—Not Yet Masters"]

[FBIS Translated Text] What did the first stage of privatization demonstrate? How has the situation changed for Russia's citizens? These two questions, which are closely connected, are currently the focus of analysts' attention.

According to the Institute for Economic Problems of the Transition Period, the first stage of privatization concluded as an "official quantitative success." According to scientists' figures, a total of 109,000 enterprises have been privatized throughout the country. Seventy-seven percent of the privatization applications submitted have been implemented. The Russia-wide register of enterprises subject to conversion into stock companies or which have already undergone conversion lists 32,000 enterprises. In addition, there are more than 24,000 joint-stock companies which were created out of state-owned or municipal enterprises.

And so, despite the economic, political and social costs of circulating privatization vouchers, the principal task of the first stage was accomplished, i.e. the temporary mass redistribution of ownership rights in Russia. Though thus far only officially and by no means in a civilized manner, our country does now have a corporate sector in its economy, exchange- and non-exchange-based securities markets, a system of institutional investors in the form of voucher investment funds, and other structures.

Most important of all, there is now a social segment that can call itself property owners. In the opinion of scientists, "it would be difficult to revive state monopolies and the system of bureaucratic management of Russian enterprises, though it is as yet too early to discount that possibility."

Interesting information was collected in a poll of 426 managers of industrial enterprises conducted by the All-Russian Center for the Study of Public Opinion. According to the findings of that study, the percentage of equity held by managers is higher at small and mid-sized enterprises. It is noteworthy that to a great extent the economic situation has improved at those enterprises where managerial personnel own a higher percentage of shares. The same trend is typical of enterprises with a relatively high percentage of equity held by foreign investors, banks and businessmen from the "shadow economy." By contrast, wherever the percentage of shares owned by employees is higher, the economic situation has worsened.

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Unfortunately, privatization has not yet yielded a higher standard of living. This was stated by Gennadiy Melikyan, Russian Federation minister of labor, in an interview with an ITAR-TASS correspondent. According to him, currently the real income of Russia's citizens is only 70-75 percent of its 1991 level. The greatest loss of income occurred in 1992, with a decline of 35-40 percent. Since that time it has increased slowly but steadily, last year by 10 percent, and this year by another 14 percent.

Nevertheless, in the minister's opinion the most painful social and labor-related issues in 1994 were differentiation of income and wages, property-based stratification of society, poverty and unemployment. These issues will remain acute in 1995 as well. For example, the minister feels that unemployment will actually worsen. Predictions of massive unemployment in 1994 did not materialize. Despite the decrease in production by a factor of more than two since 1991, the number of persons employed has decreased by only 10 percent. This is due to the fact that the government has pursued a policy aimed at supporting enterprises.

As for poverty, whereas at the start of 1994 the impoverishment process was restrained somewhat by an increase in the minimum wage, introduction of social benefits for children and an increase in minimum pension and stipend levels, with the rise in inflation since October the situation has begun to worsen. Today 24 percent of the population—approximately 33 million people—are living below the poverty level.

Solving these problems, said the minister, is the government's primary concern at the present time. Unless that is done it will be impossible to achieve social stability in society and, consequently, to solve urgent economic problems.

Government Decree on Licensing of Commercial Activities

954E0454 Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 First Edition p 4

["Decree of the Government of the Russian Federation on Licensing Individual Types of Activity, 24 December 1994, No. 1418, City of Moscow"]

[FBIS Translated Text] For the purposes of conducting a common state policy in the sphere of licensing individual types of activity and guaranteeing the protection of the vital interests of the individual, the public, and the state, the Government of the Russian Federation decrees:

1. To approve the enclosed procedure for conducting licensing activity.

2. To approve the List of types of activity whose implementation requires licenses and the organs that are empowered to conduct licensing activity according to Enclosure No. 1.

Changes to the indicated List are introduced by the Government of the Russian Federation on the recommendations of interested federal organs of the executive authority, or by components of the Russian Federation that are coordinated with the Ministry of Economics of the Russian Federation, or of organs of the executive authority of components of the Russian Federation, coordinated with the Ministry of Economics of the Russian Federation and with the State Committee of the Russian Federation for Antimonopoly Policy and Support of New Economic Structures, and with the Ministry of Finance of the Russian Federation.

3. To establish that organs that implement the licensing of individual types of activity, and that are not included in Enclosure No. 1 to this decree, lose the right to conduct licensing activity from the moment of the adoption of this decree.

Types of activity that are not included in Enclosure No. 1 to this decree, for whose implementation a license was formerly required in accordance with normative acts, are implemented from the moment of the adoption of this decree without a license.

Licenses that were issued in the prescribed procedure for the implementation of individual types of activity indicated in Enclosure No. 1 to this decree are in effect up to the expiration of the periods indicated in them.

4. To make the Ministry of Economics of the Russian Federation responsible for methodical support of the activity of organs empowered to conduct licensing activity.

5. The federal organs of the executive authority and other organs especially empowered to conduct licensing activity indicated in Enclosure No. 1 to this decree, and organs of the executive authority of components of the Russian Federation, implement licensing activity on the basis of statutes concerning the licensing of individual types of activity approved by the Government of the Russian Federation.

In the statutes on licensing individual types of activity by federal organs of the executive authority and other organs specially empowered to conduct licensing activity, indicated in Enclosure No. 1 to this decree, the right can be granted to transfer the power to license appropriate types of activity to organs of the executive authority of components of the Russian Federation.

6. Licenses issued by organs empowered to conduct licensing indicated in Enclosure No. 1 to this decree are valid for the entire territory of the Russian Federation.

7. To establish that license forms have a degree of protection at the level of bearer securities, that they are documents with strict accountability, and that they have an account series and number. The acquisition, accounting for, and storage of license forms are entrusted to organs empowered to conduct licensing activity.

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The Ministry of Economics of the Russian Federation will approve a standard license form in a two-week period.

8. To establish that the examination of applications for the issuance of licenses and the issuance of licenses are implemented on a payment basis.

The size of payments for the examination of an application and payments for the issuance of a license are determined based on the expenditures of the organ empowered to conduct licensing activity. The procedure for determining the size of payment is established in statutes concerning the licensing of individual types of activity.

Payment for the examination of an application and the payment for the issuance of a license are entered into the income of the budget, at whose expense the organ is maintained that is empowered to conduct licensing activity.

9. Federal organs of the executive authority and other organs specially empowered to implement licensing activity indicated in Enclosure No. 1 to this decree—with the participation of interested state organs and in coordination with the Ministry of Economics of the Russian Federation and the State Committee of the Russian Federation for Antimonopoly Policy and Support of New Economic Structures, and the Ministry of Finance of the Russian Federation—will develop and submit draft statutes on licensing appropriate types of activity to the Government of the Russian Federation in a two-month period.

10. The federal organs of the executive authority indicated in Enclosure No. 2 to this decree—with the participation of the organs of the executive authority of components of the Russian Federation, and in coordination with the Ministry of Economics of the Russian Federation and the State Committee of the Russian Federation for Antimonopoly Policy and Support of New Economic Structures, and the Ministry of Finance of the Russian Federation—will develop and submit drafts of statutes on licensing individual types of activity implemented by organs of the executive authority of the components of the Russian Federation.

11. Until the approval of the statutes on licensing appropriate types of activity, those organs empowered to conduct licensing activity indicated in Enclosure No. 1 to this decree implement licensing in accordance with existing normative acts (taking into account the requirements of this decree).

12. The Ministry of Economics of the Russian Federation, the State Committee of the Russian Federation for Antimonopoly Policy and Support of New Economic Structures, and the Ministry of Finance of the Russian Federation, with the participation of interested federal organs of the executive authority and the organs of the executive authority of components of the Russian Federation, will develop and submit to the Government of the Russian Federation a draft federal law on licensing in the first quarter of 1995.

13. The Ministry of Science and Technical Policy of the Russian Federation, jointly with the Ministry of Economics of the Russian Federation and the State Committee of the Russian Federation for Antimonopoly Policy and Support of New Economic Structures, will develop and in a month's period submit proposals to the Government of the Russian Federation on regulating the conduct of individual types of scientific-technical activity.

14. The Ministry of Economics of the Russian Federation and the Ministry of Justice of the Russian Federation in coordination with interested federal organs of the executive authority will submit proposals to the Government of the Russian Federation in a two-month period:

—on the introduction of changes and additions to the legislative acts of the Russian Federation that stipulate responsibility for the conduct of activity without a license, or with a violation of the conditions of its operation;

—on declaring decisions of the Government of the Russian Federation in connection with the adoption of this decree invalid.

15. The operation of this decree does not extend to those types of activity whose special licensing procedure is established by legislative acts of the Russian Federation and the normative acts of the president of the Russian Federation.

[signed] Chairman of the Government of the Russian Federation V. Chernomyrdin

Analysts on Poor Record of Nuclear Supervision Committee

954F0902A Moscow NOVAYA YEZHEDNEVNAYA GAZETA in Russian 10 Jan 95 p 2

[Article by Vladimir Kuznetsov and Anatoliy Shramchenko under the rubric "Peaceful Atom?": "MVD Is Not the Only Organization That Can Intimidate the Population. Over Three Years of Its Existence, Gosatomnadzor Has Only One Serious Accomplishment—Demonstrating Its Own Impotence"]

[FBIS Translated Text] ***3 December marks three years since the RF [Russian Federation] Gosatomnadzor [Russian Federal Oversight of Nuclear and Radiation Safety] was created in keeping with the presidential edict No. 249, dated 3 December 1991. In civilized countries, heads of similar agencies report on the progress after 100 days. We, unfortunately, are not in a habit of doing this, and so even upon a passage of almost 1,000 days Gosatomnadzor has not accounted for its work to the public in any form.***

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We, a group of staff members of the Information-Analytical Center for Prevention of Accidents at Nuclear Power Generation Facilities of the International Chernobyl Safety Foundation, dare to undertake to fill this gap.

The Policy Statement adopted by the Gosatomnadzor collegium several months after its creation said that the most important component of the safety system is "effective legislation in the area of nuclear power generation." However, after three years of the Federal Oversight existence, not a single law came out.

Well, forget laws—even at the level of safety rules only two documents have been issued. This is clearly not enough—most previous documents are hopelessly obsolete: for instance, such as "Sanitary Rules of Designing and Operating Nuclear Research Reactors" and "Safety Rules for Transporting Radioactive Substances." They had been written in the USSR before Chernobyl, and the radiation safety norms and criteria on which these rules are based had been revised back in the 1980's.

Numerous new documents were issued, on the other hand, by the new Licensing Procedures Administration. Quite frequently, however, not only the enterprises subject to oversight but even Gosatomnadzor inspectors cannot follow them.

This agency's management wants to switch to oversight procedures commonly used in the entire world, that is, periodically check how enterprises comply with licensing terms. But one cannot work this way in Russia today, since enterprises subject to oversight do not get licenses—instead, they operate by temporary "special operational permits." Under this system of oversight, the entire process of designing a new object—a nuclear power generation station or, for instance, research reactor—is completely removed from the Gosatomnadzor inspector's sphere: He will only be contacted when a construction permit is needed. In addition, because of the shortage of specialists to participate in the evaluation of complex projects, so-called independent experts quite often have to be brought in—that is, representatives of interested agencies, which, thus, get the opportunity to influence the final decision. As a result, it is practically impossible to detect shortcomings, let alone correct them in a finished and completely financed project. Which means that there is no guarantee that all errors built into it will not be incorporated in the final product.

Just as many difficulties exist with respect to inspection of already operating objects—both "civilian" and military: nuclear power stations [AES], research reactors, fuel cycle enterprises, research and design institutes, ship nuclear reactors, and so on. The lack of documents defining the status and job responsibilities of a rank-and-file Gosatomnadzor inspector frequently results in that enterprise's management denying him access to safety-related information. In 1993 the state oversight of facilities in one of the main subjects of oversight—the VPK [military-industrial complex]—was not carried out at the regional bodies' level. The Minatom [Ministry of Atomic Energy] and the MO [Ministry of Defense] simply do not let inspectors enter their facilities...

Gosatomnadzor's toothless policy allowed Minatom to repeal "Consolidated Safety Measures for Each Reactor Type" (SM-90). The SM-90 was drafted after Chernobyl and included a list of priority measures on increasing AES safety: for instance, the requirement to build an automated radiation environment monitoring system and equip all currently operating stations with it. The Gosatomnadzor has never succeeded in implementing the "Statute on Licensing OAE [expansion unidentified] Personnel" drafted back in 1992—and this is considering that 39 percent of all mishaps in the operation of nuclear power stations stem precisely from incorrect actions of AES personnel, who do not have the opportunity to train on full-scale simulators (first of all those working with VVER [water-moderated power reactor]-1000, B-213, and RBMK [high-power pressurized tube reactor]-1000 type reactors).

In the final count, the problem is that inspectors cannot even apply any serious punitive sanctions to violators of nuclear and radiation safety requirements. There are no special laws, and the "RF Administrative Violations Code," which rank-and-file inspectors use as a guidance (in keeping with the presidential decree No. 137-RP dated 31 December 1991), gives enterprises subject to oversight the right to challenge through courts the sanctions applied. Actually, most often inspectors' prescriptions simply "go unnoticed."

So, perhaps the Gosatomnadzor at least "informs state organs and population of changes in nuclear and radiation safety" (a quote from the Policy Statement—auth.). While in the past N.A. Shteynberg, the USSR Gosatomnadzor deputy chairman, did indeed publish monthly in IZVESTIYA the information on the situation in AES, now information appears only after some accident takes place and is not always truthful.

Even the "Report on the Activities of the Russian Federal Oversight of Nuclear and Radiation Safety in 1993"—the only serious document issued by the Gosatomnadzor over the period of its existence (but not intended for public discussion!)—presents far from the whole truth about what is happening at nuclear fuel cycle enterprises. Although some parts of this report really resemble a thriller more than a state document:

—the state system of accounting for, and control over, nuclear materials in Russia is nonexistent;

—there are no means of monitoring technological parameters and emergency shut-off in the processing of irradiated nuclear fuel and production of weapon-grade plutonium;

—violation of nuclear and radiation safety requirements have been registered at Ruslan and AF-2 reactors in PO [production association] Mayak (Chelyabinsk-65),

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as well as ADE-2, ADE-4, and ADE-5 at Siberian Chemical Combine (Tomsk-7);

—there is no data on radiation exposure of main and auxiliary personnel in handling radioactive waste;

—nuclear fuel cycle enterprises have practically no well-established system of population protection in the event of accident;

—during the inspection of PO Sever and PO Sevmash-predpriyatiya, it was revealed that many submarines taken out of exploitation (nuclear submarines "in the process of settling") have been turned into storage facilities for spent nuclear fuel; technical condition of many of them is appraised as "unsatisfactory;" no instrument monitoring of them is performed; periodic radiochemical analysis of heat emission from active zones is not even envisaged; and there is a realistic danger of their uncontrolled sinking;

—temporary spent-fuel storage facilities in fleets are filled over capacity, and most of them are in technically unsatisfactory condition...

One can go on and on quoting the Gosatomnadzor report. Let us repeat, however: Even in this document, which formulates for the government the problems and troubles of the nuclear sector, some facts are interpreted not quite correctly—to put it mildly, and many are not mentioned at all:

—there is no mention of the sorry state of Institute of Nuclear Research' reactors in Gatchina, near St. Petersburg;

—in describing last year's accident at the Siberian Chemical Combine [SCC], no data is given on contamination of the environment by Pu-239 (the explosion took place right at the weapon-grade plutonium production plant); the report contains no information on the radiation situation at the combine and personnel's exposure to radiation;

—the report says that actual discharge and disposal of radionuclides from nuclear fuel cycle enterprises do not exceed the PDK [maximum allowable concentration], although specialists know very well the poor quality of radiation monitoring in discharges (on top of this, the report contains a number of disparities: for instance, at Tomsk SCC, concentration of various aerosols in the repair zone of Plant No. 1 exceeds PDK by a factor of 12, while discharge into the atmosphere for some reason remains within PDK limits);

—there is absolutely no analysis of the radon problem in homes and equipment; the question of radiation control in manufacturing of some construction materials has not been brought up;

—the problem of rehabilitation of territories after nuclear testing is being ignored; and so on.

So why is our Gosatomnadzor so ambivalent? The point is that the frightening situation in the area of nuclear safety at nuclear objects is not a result of individual errors or miscalculations. This situation emerged as a result of the system of handling radioactive materials that had been in effect in our country for many years. The Gosatomnadzor does not dare—or perhaps simply cannot—take it on. That is why we see its latest "Report..." as an acknowledgement of its own impotence, an attempt to intimidate the government and to shift the responsibility on others—the Cabinet of Ministers, the Minatom, and MO, and the public.

But, if the Russian Federal Oversight of Nuclear and Radiation Safety does not want to, and cannot, guarantee the people the aforementioned safety, why is it needed at all?

Experts on Securities Market Evolution, 1995 Forecast

954E0451A Moscow EKONOMIKA I ZHIZN in Russian No 1, Jan 95 p 9

[Experts' predictions for 1995: 'What Will the New Year Bring Us?"]

[FBIS Translated Text] **Since the time of its creation the economic information agency REYTING has tried not only to reflect the various events occurring in the securities market of Russia but also to work actively for integration of diverse opinions into a force for expediently building this market up. We proceed from the idea that the formation of an investment market means the collective creative work of all its participants—issuers, intermediaries, investors, and legislators, based on mutual understanding and respect. On its pages the agency has always offered the opportunity for the widest possible range of authors, sometimes with mutually exclusive viewpoints, to express themselves, and this contributes to the formation of an objective view of the process of the establishment of the securities market. On the eve of the new year we asked the most active participants in the stock market to express their opinion regarding the path that has been traveled by the Russian securities market, to discuss the peculiarities of last year, and to outline the prospect for the future.**

Aleksandr Aladushkin, Chairman of the Board of the Lenstroymaterialy Brokerage Firm:

Russia's stock market developed in several main directions last year. Shares in privatized enterprises crowded out the securities of investment companies, check funds, and banks. The considerable undervaluation of industrial stocks made it possible for intermediaries to conduct speculative operations with them and attracted the venture capital of Western funds. These changes reinforced the role of brokers in the securities market and strengthened their financial positions.

The serious difficulties in improving trade on the securities market, the system document turnover, and communications among brokers, registrars, and depositaries

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are being surmounted. And the main role in this process is being played not by state organs but by associations of market participants who are directly interested in standardizing these procedures.

A step has been taken toward eliminating the multiple authority in market regulation. I hope that the Federal Securities System will become a full-fledged management organ and contradictions in the legislative base will be eliminated.

One is gratified by the appearance of real investment projects in industry that are implemented with the help of the stock market, the consultants and basic ideologists for which were professional intermediaries. In addition, there has been considerable development of regional markets since this is where the main objects for investment and speculation are concentrated.

Problems that are inevitable in the process of establishment become somewhat hypertrophied in Russia and, as a result, lead to "educating" private investors.

In 1995 the development of the market should proceed along the path of organizing the attraction of investments, thus increasing the importance of investment consulting and the development of real business plans. The problem of protecting financial investments will be solved mainly through trade in large (controlling) blocks of shares, that is, actually enterprises.

The brokerage community will be divided up even more: into large companies which will subsequently, possibly, be transformed into investment banks, and brokers working on client instructions with small- and medium-sized block of securities.

The interest of the investors should be turned to enterprises of a local rather than an all-Russian scale, and the investment volumes in them will be only $5-10 million.

It is possible that Russian banks will be real competition to Western capital and finally begin to turn toward production.

I would wish that the Russian stock market would become more open and, as a result, more honest without losing its attractiveness. A market cannot be fully programmed and formalized, there must be space for new creative ideas and their embodiment.

I would like to take this occasion to wish a happy new year to all readers of the weekly EKONOMIKA I ZHIZN.

Yevgeniy Bushmin, State Duma Deputy:

In October-November 1994 EKONOMIKA I ZHIZN published two alternative draft laws on the securities market. Their basis was the draft prepared by the expert council "On the Securities Market," which underwent significant changes after its publication: It was augmented with corrections from the two alternative draft laws submitted by the State Duma deputies G. Tomchin and V. Lisichkin. The first reading took place on Friday 23 December. Let me note that in order to create a consolidated draft law "On the Securities Market" a combined expert group was formed, many of whose members are included in the Federal Commission on Securities and the Stock Market. That is, this group includes representatives of the legislative and executive power and also direct professional participants in the securities market.

After the first reading of the draft law the incredibly busy stage of the second reading will begin: painstaking work for at least three weeks of January. If we manage to reach an agreement, as was previously the case, there is the hope that the law will appear in February.

I consider it a peculiarity of last year on the securities market that any significance was attached to this market. It is still a part of our nature to become aware of any event only after "it hits us in the head." In 1994 we had so many "emergency" cases that we finally understood how important and necessary it is to have order in the Russian securities market and to have it regulated. Nonetheless we should not be hasty in adopting the law. It must be thoroughly prepared, it must be adequate to the present stage in the market's development, and to no less a degree it must contain aspects of anticipating possible critical situations and preparing for them so that in the future they will not be hastily suppressed. This law places the cornerstone and provides the basic proposition—"thou shalt not steal"—and introduces the necessary rules. And if at the present time it is not clear, for example, which path the stock markets will take, there is no point in artificially determining this direction not to mention regulating it. At the same time we can already clearly see the need to develop a separate law on investment stocks. So while moving forward, from year to year we will slightly change and improve legislation.

As for the appearance of the securities market in 1995, there is no doubt that it will be more open to all of its participants and more organized for professionals. That is the main thing that we are including in the law.

Aleksandr Kuntsevich, Director of the Avenir Financial Brokerage Group:

The year 1994 is over. It was a year which will undoubtedly go down in the history of Russian reforms as the year of the appearance in Russia of an actually functioning stock market.

Recall how as the Kremlin clocks struck the last hour, having raised our champagne glasses to drink to happiness, we saw on the screens of our television sets advertising of certificates of deposit for shares in "Automotive Alliance." There was something mystical, as though out of Bulgakov, in this new year's omen. And events also began to develop, at first glance, in an unpredictable, intriguing, and turbulent way. But that was only at first glance. Of course, like the Chervontsy, which began to fall out from the cupola of the theater after the Bulgakov

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hero fired his weapon, in the market there began an ever denser paper whirlwind of shares and notes from MMM, and the Russians, attracted by "the incomparably tantalizing aroma of just printed money," formed kilometer-long lines at MMM points, the outcome was already determined. Like the Chervontsy from "Master and Marguerita," the MMM shares and notes turned into "papers from mineral water bottles," and the main hero of this drama, Sergey Mavrodi, like a Bulgakov character, demanding that it be placed in a vault, took safe shelter under the armor of deputy immunity, once again demonstrating to the astonished citizens what kind of person they had trusted to represent their interests in the high organs of legislative power.

A similar fate has already befallen or will befall other pseudo securities whose "investment qualities" are loudly and aggressively advertised in the mass media.

But the market for industrial joint-stock capital, capital which actually makes up Russia's worth, developed last year by no means because of but rather in spite of the market for bearer securities that are of doubtful value. At the same time as "partners," MMM, "telemarketa," et al, while being attacked by well paid-for (at their own expense) advertising, holding their breath, were counting up future profit and real losses, foreign investors at first timidly then ever more boldly began to invest hard currency in buying shares in privatized enterprises of the branches of gas and petroleum production, electric energy engineering, telecommunications, nonferrous metallurgy, and water transportation. The final recognition of the reality of this market was the beginning of trade in shares in Russian enterprises on nonexchange Western stock markets.

But, in spite of the turbulent growth of the stock quotations, it must be recognized that their prices are incredibly low. The main reason for this is the low level of investment activity with an immense volume of joint-stock capital circulation on this market. In order to increase the volume of investments it is necessary to have legislative guarantees of the observance of the rights of stockholders and concrete actions on the part of the state aimed at protection of private property and reduction and subsequently elimination of all kinds of taxes that can be imposed on investors and market operators as well as the creation of a developed infrastructure capable of providing for circulation of immense flows of imaginary capital and the monetary flows that correspond to them.

But still the forthcoming year promises to be a year when the stock market of Russian enterprises will be able to overcome bureaucratic obstacles and financial extortion, and the main thing, its own indecisiveness. Through direct investments and, possibly, through the money market mutual funds that are beginning to appear, the savings of the population will also be attracted. I have no doubt that the stock market will reward all participants with rapid growth of quotations for shares and, as a result, a high return on investments.

This is the only market where higher prices means improvement and inspires hope.

Vyacheslav Pankin, Cochairman of the Union of Stock Exchanges:

The securities market in Russia began its development under very unfavorable conditions. There was no logical and clear legislation that took into account the many years of practice of the development of foreign securities markets. Unfortunately, there still is none. Russian investors were unprepared for and were not protected by the state from the abuses of certain economic wheeler-dealers. The unreliable securities that were oriented toward the population dealt a serious blow to the market as a whole. There still is no system for information service for the Russian securities market. There is serious reason to assume that even the state organs that control this segment of the economy do not have generalized statistics on the stock market. There still is no well-thought-out concept for the development of the securities market. All this taken together has led to a situation where the Russian market is perceived by the domestic and foreign investor as highly risky. I will not be mistaken if I note that at the present time in Russia there are no investors who are prepared to invest resources in the country's economy for the long run.

This circumstance is combined in a most unpleasant way with the underestimation by the state of the capabilities of the investment structures that have taken form. For example, for some reason a simplistic view of stock markets as merely intermediaries that organize the circulation of securities on a secondary market has become entrenched in Russia. In my opinion, the main task of stock markets is to reduce the degree of risk on the market through special rules that augment existing legislation and also through offering market participants a range of particular services. I think that stock markets can have great significance in accumulating for enterprises temporarily free monetary funds. An example of this might be the MMVB [Moscow Interbank Currency Exchange] which handles initial distribution and secondary circulation of GKO [state short-term obligations].

In addition to pointing out the shortcomings it is also necessary to note the positive aspects: A network of professional investment intermediaries has been created and the necessary cadres have been trained in Russia. The appearance of professionals on the domestic stock market is a major achievement of the past stage.

A peculiarity of last year is that, in the first place, the investor and the professional intermediary in the direct sense of the word have "grown up"; in the second place the state has recognized the need for immediate measures to optimize existing legislation and protect the interests of investors; in the third place, a large number of attractive securities have appeared on the market (GKO, shares in privatized enterprises). In a word, there is something to trade.

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In the new year, 1995, the state and professional participants in the securities market will be faced with the need to develop an infrastructure for the stock market, to simplify the procedure for re-registration of ownership rights, to increase the liquidity of securities, and to begin secondary issuance of securities by privatized enterprises. I think that in 1995 the process of transforming the spontaneous Russian market into a civilized one will begin.

I wish my colleagues and participants in the stock market patience in the new year. The year will be difficult and will demand considerable intellectual exertion.

Sergey Shoyko, President of the SKIF Association of Investment Funds:

Without fearing banality I will say that next year is indeed for me a year of hope for great and fruitful changes in the development of the stock market.

At the end of the old year there was an event that is not yet fully recognized by everyone: The team that carried out Russian privatization shifted to a new area—the development of the securities market. Even the most fervent critics of privatization reluctantly note the high effectiveness of this team's work. It is in vain that the ill-wishers try to dismiss its work by saying that the results that were achieved are incomplete: They say that privatization has not produced all the benefits that were expected from it. In my opinion, communist criticism errs when it comes to this approach: The basis of all approaches is that they have "incorrectly divided up" that which was earned and conquered by generations. But in fact the road to a better life lies in a different direction: Not by dividing up the old again but by creating the new is it possible to achieve well-being of all segments of our society.

MacGregor noted in his day: "Here is the most reasonable agricultural approach: Create a good climate, provide for the appropriate top dressing and offer the people a chance to grow their own crops. Then they will surprise you." The tactic of the Russian privatizers consisted of creating the necessary conditions for the growth process and not in forcing people to march toward a better life in military formation. The State Committee on Administration of State Property of the 1992-1994 model "churned out" such a mass of normative documents that it will take more than one generation of historian-economists to figure them out. Very frequently these documents contradicted the provisions of other departments and sabotaged them as much as possible. But in spite of this, the medium necessary for the growth of new social relations was created. Bold entrepreneurs and the new generation of directors with a free economic philosophy risked a great deal, relying on documents that were not coordinated with the conservative part of the state machine. Still they frequently ended up in a fairly difficult position, but they won more frequently than they lost. The stable growth of all objective indicators of privatization is indisputable evidence of this.

Such an ambitious goal as economic prosperity for Russia requires going through many difficult stages. It is the Gospel truth: "Abraham begot Isaac, Isaac begot Jacob...."

It took 42 generations of ancestors before the profit appeared. Thus it is in today's Russia: "Crisis begat perestroyka, perestroyka begat reformers, reformers begat vouchers, vouchers begat privatization, privatization begat the securities market..." and the historical mission of the securities market is apparently to redistribute the country's resources in the most promising areas of the economy and move Russia out of the crisis.

The resident of Russia cannot live without faith. After the year of the teletherapists ended there was a certain vacuum which was skillfully filled by the magicians of the stock business. The philosophy they inspired was money need not be earned, it is sufficient to invest it advantageously. And the careless investors flew like S. Mavrodi's beloved butterflies, to the bright light of advertising: They crowded around enchanted by dreams of wealth taken from they knew not where. Therefore in 1994 the Russian securities market frequently reminded one of a careless adventurer. Periods of completely unjustified enthusiasm inevitably changed into waves of complete disenchantment.

I think that the situation in the market will change sharply in 1995. Everyone has become convinced that securities can be high-yielding. Those who suffered from excessive gullibility have also had negative experience. The time has now come for balanced work and the disclosure of information on business and private relations between shareholders and investors. The Federal Securities Commission will soon energetically undertake the development of consolidated rules of the game on the market. Competition for clients' funds among professionals who are counting on making good money on the stock market in 1995, will apparently be arranged for better compliance with these rules.

Vladimir Alekseyev, Director of the League for Promotion of Investment Funds:

I wish my colleagues a happy new year. I think that for us people who have linked our destinies to the Russian stock market it would be more correct to identify the forthcoming 1995 not with a blue boar but with the activity of the newly created Federal Securities Commission.

The Russian stock market is developing so rapidly that we are not able to keep track of which direction it is moving in. Therefore, it seems to me, it is premature to try to seriously evaluate the path that has been traveled. Another 20 years must pass and only then, looking back, will we be able to say that in this period there was redistribution of property and a class of property owners was formed while in another period there appeared conditions for sharply increasing the flow of foreign investments, and so forth.

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But so far we can only assume an air of importance—they say we have laid the cornerstone in the foundation of the Russian stock market. And this is true. We have indeed placed it there.

In my opinion last year had two distinguishing features. The first was that at least some Government plans began to be implemented: As they promised, the completed check privatization. Almost on time. The second peculiarity is that the people finally stopped believing in cheap advertising. And now not every popular-financial-investment-industrial-holding corporation is declared to be destined for success.

My main prediction for the stock market in 1995 is that hardly anybody's prediction will come true. The forthcoming year has great surprises in store for us...do not worry—there will be pleasant ones too.

Igor Fateyev, Director of the Information Center for Registrars, Member of the Board of Directors of PARTAD:

During past years our still young (only a little more than three years old!) securities market has experienced so many stormy events that it seems grown up. We have observed the ups and downs of exchange activity, issuers have replaced one another in their attempt to attract the free funds of the investors, and "financial instruments" of various types and merits have appeared on the market.

We see a variety of subjects operating on the securities market, and also the constantly rising professional level of its participants. Three years ago, for example, leaders of regional investment institutions came to Moscow for knowledge. Now they are partners with equal rights who have solid experience and financial capabilities.

I consider the significant thing about last year to be the fact that the society at the most diverse levels recognized the immense role of the securities market which is being formed for the country's entire economy and also the key role of its infrastructure. This was reflected not only in the scale of assistance for its development which was provided through governmental organizations but also in the first Russian seminar conducted in April of last year by the old securities commission under the president of the Russian Federation and also the appearance in Moscow of other "stock centers" of various committees and associations that unite professional participants in the Russian securities market.

Because of this more active work has been done to improve the preparation of draft laws intended to regulate all issues related in one way or another to the functioning of the Russian securities market, such as: the Civil Code, the Law on Joint-Stock Companies, and the Law on the Securities Market.

To me this year was remarkable in that we succeeded in realizing the idea of creating the Professional Association of Registrars, Transfer-Agents and Depositaries (PARTAD), which initially seemed a difficult thing.

Regarding the prospects for next year, I would like to see everything only in a "rosy light":

laws will finally be published;

the Federal Commission on Securities and the Stock Market will justify the hopes of all the market participants, including the professionals;

our associations will manage to prove to all interested parties the expediency of the proposals for changing taxation;

PARTAD will receive from the Federal Commission the right to be self-regulating;

organizational, technical, and information standards will be developed and introduced, making it possible to solve problems of accounting for the transfer of rights of ownership of securities;

the market will be augmented with securities that are attractive to investors not so much because of the promise of "mountains of gold" as because of actual investment projects;

the government will create conditions whereby capital that is not being used advantageously in our economy and therefore frequently flows abroad will change its direction.

In conclusion, I want to wish a happy new year to my colleagues from all regions of Russia with whom I have had a chance to work or whom I have simply met! I wish them further success in their work, especially that which is directed toward the formation of a civilized securities market based on respect for the main subject—the investor.

* * *

Numerous letters from readers of EKONOMIKA I ZHIZN show the distortions and unfairness of the process of the redistribution of property in our country. Immense production resources are not falling into the hands of the workers, the really effective property owners, but are being concentrated in the hands of either the nomenklatura with its old mentality or speculator-middlemen and criminal structures, or foreign firms who have "their own view" of the future...during the course of the overwhelming privatization, paradoxical as it may be, the working people—that main motive force of the society—have been done out of their fair share and forgotten. "How can we now inspire people to undertake creative labor?"—this is the ultimate task both for our current property owners and for state figures. We hope that 1995 will be a turning point in solving this radical problem.

New Currency Control Regulations Introduced

Central Bank Letter Lists Rules

954E0441A Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 13

[Article by Acting Chairman of the Central Bank of the Russian Federation T.V. Paramonova: "Currency Control: New Rules Tougher Than Old Ones. On Making

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Changes and Additions to the Letter of the Bank of Russia of 2 September 1994, No. 107"]

[FBIS Translated Text] **The Central Bank of the Russian Federation is making the following changes and additions to the letter of the Bank of Russia of 2 September 1994, No. 107, "On Clarifying the Procedure for Circulation of Cash Foreign Currency on the Territory of the Russian Federation," which will take effect on 1 October 1994:**

1. Point 9 shall be worded as follows:

"The issuance in the Russian Federation by authorized banks of cash foreign currency and travelers checks in foreign currency to nonresident banks (their representatives) and also the acceptance by authorized banks from nonresident banks (their representatives) of cash foreign currency and travelers checks in foreign currency shall be allowed only with special permits from the Bank of Russia issued to authorized banks in each specific case by the Main Administration for Currency Regulation and Currency Control."

2. The third paragraph of point 11 shall be worded as follows:

"—Cash foreign currency withdrawn by the holder of an account (his representative) from his foreign currency account in an authorized bank may be transferred within the limits of the sum of cash foreign currency withdrawn from it only to foreign currency accounts opened in his name, including in other authorized banks;"

3. Point 11 shall be augmented with text with the following content:

"—Cash foreign currency acquired on the domestic foreign currency market of the Russian Federation in compliance with legislation of the Russian Federation may be transferred by a nonresident individual into a foreign currency account opened in his name within the limits of the sum acquired by him.

"When cash foreign currency is transferred by a nonresident individual who is the holder of the account into which the cash foreign currency is transferred (his representative), a document confirming his importation, withdrawal, and acquisition of cash foreign currency shall be submitted to the authorized bank.

"The requirements specified above in the present point shall not apply to nonresident individuals with diplomatic and consular privileges and immunities on the territory of the Russian Federation in compliance with international treaties to which the Russian Federation is a party.

"Cash foreign currency accepted from nonresident individuals (their representatives) by authorized banks shall be transferred into their foreign currency accounts without restrictions and without special permits from the Bank of Russia.

"There shall be no restrictions on the withdrawal of cash foreign currency by individuals (residents and nonresidents) or their representatives from their foreign currency accounts in authorized banks and also their acquisition of payment documents in foreign currency backed by funds in foreign currency accounts of individuals in authorized banks. Moreover the authorized bank in confirmation of the aforementioned operations shall issue to the client the corresponding document with an indication of the sum of cash foreign currency withdrawn from the account or payment documents acquired in foreign currency."

4. Point 12 shall be worded as follows:

"12. Enterprises, institutions, and organizations (resident and nonresident) may not transfer and pay in foreign currency on the territory of the Russian Federation to resident individuals wages, bonuses, or any other remunerations or payments related to the performance by these individuals of their on-the-job duties (including with the conclusion of a labor agreement (contract) for a particular time period and for the time of performance of a certain job) or pay in foreign currency for work (services) of individuals under a contractual agreement or other agreements of a civil-legal nature.

"Resident enterprises, institutions, and organizations may not transfer or pay in foreign currency on the territory of the Russian Federation to nonresident individuals wages, bonuses, or any other remunerations or payments related to the performance by these individuals of their on-the-job duties (including with the conclusion of a labor agreement (contract) for a particular period of time or for the time of the performance of a particular job) or pay in foreign currency for work (services) of individuals under contractual agreements or other agreements of a civil-legal nature.

"Nonresident enterprises, institutions, and organizations (including diplomatic and other official representative offices of foreign states, international and intergovernmental organizations, and their branches and representative offices located on the territory of the Russian Federation) may make the aforementioned payments and remunerations to nonresident individuals in foreign currency on the territory of the Russian Federation.

"The sums of wages in foreign currency and other foreign currency revenues of a nontrade nature due to individuals (residents and nonresidents) and transferred to the Russian Federation into foreign currency accounts of these individuals in authorized banks shall be transferred to these accounts without restrictions and without special permits from the Bank of Russia.

"Payments and remunerations prohibited in the present point may not be made not only in foreign currency but also through the transfer to the individuals (residents and nonresidents) of other foreign currency assets.

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"Payments and remunerations permitted in the present point may be made only as noncash transactions by transferring the corresponding funds to foreign currency accounts of resident individuals in authorized banks of the Russian Federation and to foreign currency accounts of nonresident individuals in authorized banks of the Russian Federation or nonresident banks."

5. Point 14 shall be worded as follows:

"Sums of ownerless cash foreign currency, cash foreign currency that has been transferred to the state as a gift, that has been transferred to the state through inheritance, and that has been found in treasure houses may be transferred without restrictions into the budget foreign currency account and current foreign currency accounts of organs of state management that are responsible in compliance with legislation of the Russian Federation for accounting for, discounting, and selling confiscated and ownerless property, property transferred to the state as a gift, that has been transferred to the state as inheritance, and in treasure houses."

6. The words "banking and" shall be excluded from the first paragraph of point 15 and the words "banking and" shall be excluded from the second paragraph of that same point.

7. Point 15 shall be augmented with a text with the following content:

"The requirements presented above shall not apply to cases of withdrawal of foreign currency located on the territory of the Russian Federation by diplomatic and other official representatives of foreign states, international and intergovernmental organizations, their branches, and representative offices from current foreign currency accounts opened in authorized banks of the Russian Federation for their service.

"Enterprises, institutions, organizations, and individuals (resident and nonresident) may use checks in foreign currency according to the procedure and under the conditions established by the Bank of Russia."

8. In the third paragraph of point 23 the words "in points 5.1-5.5" shall be replaced with the words "in points 5.1-5.4."

[Signed] Acting Chairman of the Central Bank of the Russian Federation T.V. Paramonova.

Commentary on New Regulations

954E0441B Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 pp 9, 13

[Article by Yevgeniy Aleksandrov: "Currency Control: The New Rules Are Tougher Than the Old Ones. Central Bank Continues to Introduce Restrictions on Buying and Selling Freely Convertible Currency"]

[FBIS Translated Text] **Following the appearance of the infamous letter from the Central Bank of Russia, No. 107, "On Clarifying the Procedure for Circulation of Cash Foreign Currency on the Territory of the Russian Federation" of 2 September 1994, this department has taken a number of steps aimed at regulating foreign currency operations in Russia.**

The most radical measure in this area is the introduction effective 1 February 1995 of a new currency control document which is mandatory for use by all authorized banks—certificate on form No. 0406007. This document will be issued to clients upon completion of the following foreign currency operations with cash foreign currency: the purchase and sale of cash foreign currency by individuals (residents and nonresidents) from an authorized bank of the Russian Federation; the issuance of cash foreign currency from current foreign currency accounts of legal entities and individuals (residents and nonresidents) in cases permitted by foreign currency legislation; purchase and sale of payment documents in foreign currency; issuance of cash foreign currency with credit cards of foreign issuers and authorized Russian banks.

Certificate on form No. 0406007 will confirm the fact of the completion of the operation in an authorized bank and simultaneously fulfill the role of a permit for removal from the Russian Federation of the cash foreign currency and payment documents in foreign currency by individuals, both residents and nonresidents.

Certificate form No. 377 which is being used at the present time and the "permit for taking foreign currency abroad" will be issued by authorized banks to clients up until 1 February 1995. Permits acquired by clients before this date for exporting foreign currency with the old form will remain in effect after 1 February 1995 as well.

The chief of the Main Administration for Foreign Currency Regulation and Foreign Currency Control of the Central Bank of the Russian Federation, Viktor Melnikov, justified the need for introducing the new form by the fact that it will make it possible to regulate control over the movement of foreign currency in the country. While certificate form No. 377 could have been forged and reproduced on a Xerox machine, the new one will have several degrees of protection. Certain "bright" workers of exchange points, bringing several hundred dollar bills to work with them, managed to exchange them themselves 20 or 30 times in a work day, making "profit" on the difference between the exchange rates for buying and selling foreign currency of up to several hundreds of thousands of rubles, thus robbing the bank in which they were working. The new form of certificate, which the authorized banks must now order and obtain independently from the Moscow printing office of Goznak [State Mint] will help to avoid cases like this. Melnikov warned that the "services" of various kinds of "intermediaries" for manufacturing the new form of certificate must not be taken seriously since the letter from the Central Bank of Russia No. 122 of 14 November 1994 draws the attention of authorized banks

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to the circumstance that they must order the blanks for the certificates of the new form from Goznak directly without the participation of the Central Bank or other structures. Authorized banks with a branch network will order the blanks of the aforementioned certificate for the entire bank, including the branches. The branches of the banks do not have the right to order the blanks independently from the Moscow printing office of Goznak.

The newest certificate, in Viktor Melnikov's opinion, meets world standards. The fact that when buying foreign currency it is necessary to have a document certifying the identity of the purchaser is a norm adopted not only in Russia but also in other countries of the world. The introduction of the new certificate will make it possible for exchange points to expand their range of operations with cash foreign currency.

The cost of the blank form of the new certificate, taking the value added tax into account, is R379 today. It will have to filled out by everyone, regardless of the sum of foreign currency acquired, whether it be, for example, $1 or $500.

Work is being done on the question of installing at each exchange point special cash registers with unerasable memories. Information about all foreign currency operations will be combined in the central computer of the authorized bank. Thus bank specialists will monitor foreign currency operations conducted by their exchange points.

How effective will such measures for currency regulation be? If one takes into account the fact that in Moscow only 21,090 exchange points are officially registered and 8,000-9,000 are operating "spontaneously," at their own risk, there arises the question of what will happen to the owners of currency who acquire it at unregistered exchange points, that is, the people who do not have the corresponding certificates in their hands. Viktor Melnikov promised that no discriminatory measures would be taken against these people, although it would be better if all of them had certificates of the acquisition of foreign currency. Countries of the EC today are disturbed by the process of "laundering" of foreign currency funds in states of Eastern Europe, including in Russia. In the last one the amount of cash in freely convertible currency was twice as great as the ruble amount in cash circulation. Thus if there is panic buying of dollars, the exchange rate for the "greenback" will leap up again and another "black" Tuesday will be inevitable. Especially if the exchange points deliberately curtail or halt the sale of foreign currency. As for control over the banks working with cash foreign currency, their numbers are extremely small and Viktor Melnikov promised that their activity would be constantly monitored.

Another step on the path to foreign currency regulation was the introduction of changes and additions to the letter of the Central Bank of Russia of 2 September 1994, which is published in this issue. Their essence amounts to the following two points. First, to clarify certain points of the September letter and, second, to make certain norms less stringent. The principle point is still that the Russian ruble will be the only means of payment on the territory of the Russian Federation. But there are three aspects that required clarification and a certain relaxation of the norms by the Central Bank of Russia.

The first of them pertains to the ban on payment of wages in foreign currency. This ban remains in force. The only thing that is permitted is to make monetary transfers in freely convertible currency from abroad to bank accounts. And an "indulgence" was granted in the payment of wages in foreign currency to legal entities (nonresidents) and individuals (nonresidents). This is linked to the banal life situations that have begun to arise after the September ban. For example, foreign airline companies use their own technicians to service their aircraft. For example, brigades of German specialists are working at the Sheremetyevo Airport. The German "laborers" do not understand why they have to receive Russian rubles instead of German marks and then exchange the latter for German marks and send them home to their families in Germany. Now such surcharges, it seems, are being removed.

The second aspect is related to lifting the ban on the movement of the bank check. The Central Bank of Russia thinks that this procedure is sufficiently controlled and therefore they have decided to lift the September ban.

The third aspect pertains to the abolition of another fairly absurd restriction. For example, if the owner of a foreign currency account has withdrawn money from it and spent it on certain needs, then the remaining, unspent part of the foreign currency funds, according to the September order, should have been returned to that same foreign currency account in the same bank. Now the owner has the right to transfer these foreign currency funds, within the limits of the sum withdrawn, to another foreign currency account opened in his name in another authorized bank.

As we can see, the "alleviations" listed above and the "clarifications" are cosmetic in nature and do not change the overall direction of the regulation of the foreign currency market toward tightening up the "rules of the game."

Will the aforementioned measures for currency regulation not push people toward the "black" market? Viktor Melnikov is not afraid of such a development of events since, as he put it, the "black" market exists in practically all countries.

It is another matter how long the owners of "bucks" will be able to "sleep peacefully" without certificates of their acquisition. Viktor Melnikov gave this example. In the United States if a person has reported to the police that several hundred thousand dollars have been stolen from him, he has to submit a document confirming that the money was acquired legally and taxes had been paid on

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this sum. Only after that will the police begin to search for the thieves. Of course we are still far from such a solution to the problem, but it would be better, Mr. Melnikov hinted, if the Russian owner of freely convertible currency would have a certificate of the purchase of the currency.

It cannot be ruled out that the next step in the matter of strengthening control over operations with cash foreign currency will be a ban on its sale and transfer into an account in an authorized bank without special documents confirming the legal sources of its origin. In any case even now one can quite clearly see a tendency toward crowding the dollar out of the Russian foreign currency market. But so far there is no real alternative to it in terms of degree of liquidity and reliability. There is only one path—administrative bans, barriers, restrictions and, perhaps, even confiscation.

Successes, Remaining Tasks of Privatization Discussed

954E0402B Moscow ROSSIYSKAYA GAZETA in Russian 29 Dec 94 p 2

[Article by Ye. Leontyeva: "The Glitter and Poverty of Privatization. Having Acquired a Portion of the National Wealth, It Is Time To Stop and Look Back"]

[FBIS Translated Text] **The State Duma has conducted hearings on the results of check privatization. The result of it was the Duma decree that was published in ROSSIYSKAYA GAZETA on 21 December.**

The main question is what the results are of the path that was travelled. Revenues from privatization amounted to a trillion rubles. That figure is cited by the State Committee on the Administration of State Property [GKI]—here and elsewhere we will be utilizing its data exclusively, with the exception of those cases when the GKI has not supplied the information but Goskomstat RF [State Committee on Statistics of the Russian Federation] has.

Some 80.6 percent of the enterprises subject to privatization have been privatized. Small-scale privatization encompassed 72 percent of the facilities—102,000 enterprises, causing the appearance of around 1.5 million private owners.

Some rather convincing recommendations have appeared in the past, indicating how privatization is to be developed further, whereas at present not just the opponents, but even GKI personnel agree that it is now necessary to conduct some "inventorying."

What is the qualitative result of privatization? First, the viewpoint of Vladimir Polevanov, the new GKI chairman, which fully reflects the former evaluations and positions of that committee.

World history has never before known such a denationalization of property, so unique in its scale and terms and with a minimum of social conflicts. What is most important, he stresses, is that a broad stratum of private owners has been created in Russia, which has made market relations irreversible. New institutions of a market economy have appeared. They are, first of all, investment funds, as well as check holding companies, oil companies, and financial-industrial groups.

He considers one of the most important results to be the fact that the formerly weak stream of domestic and foreign investments is starting to grow and is flowing into the privatized enterprises. Real investors, in his opinion, do not want to deal with enterprises any perceptible part of whose shares belongs to the government.

Nevertheless, the GKI chairman notes that not all tasks of the privatization program, adopted in 1992, have been fulfilled.

What is most important and difficult is achieving a rise in the effectiveness of enterprise operations through privatization. Vladimir Polevanov believes that the foundation for a resolution of that task has been laid. As far as social protection of the population is concerned, as well as the development of facilities of the social infrastructure, the GKI chairman holds the following opinion: It was somewhat premature to resolve these tasks through privatization. It was only possible to create access to property that is equal for all citizens.

There were some clear omissions. For instance, it was impossible to restore the manageability of industry by the state sector, which was lost at the end of the eighties.

The evaluations of Sergey Burkov, chairman of the Committee on Property, Privatization and Economic Activity of the State Duma of the Russian Federation, in turn, differ from the position held by the GKI. Without denying the fact that privatization is a highly important direction in economic reform, he nevertheless did not find any positive results in it. On the contrary, he believes that it was specifically privatization that caused the socioeconomic crisis and deepening of the industrial crisis, as well as further inflation.

The commonly known initial undervaluation of property being privatized led to a situation where enterprises received it as private property, either almost free or at a price significantly below the market price. By how much was it underestimated? Sergey Burkov believes, by not less than one order of magnitude.

One of the reasons for such significant diversions consists in the method used in determining value. GKI was mainly concerned with fixed capital. But what about the people, with their knowledge, the technological processes and the know-how? Unfortunately, at that time the reserves with which enterprises are operating were also not taken into consideration. Without this, no company in the world would proceed to estimate its assets. In addition to that the temptation may occur to voluntarily

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bankrupt the enterprise that one now owns. It is merely necessary to resell the land that one obtained dirt cheap through privatization.

In the opinion of Sergey Burkov, a negative role was played by the forced rates of privatization, for which there was no need at all. As a result, the availability of enterprises and real property far exceed the effective demand for them. This caused the level of prices for objects of privatization to be low in competitive bidding and at the auctions. Significantly below the level that could have been assured if we had maintained rational rates of privatization with respect to the effective demand that existed.

The exemption of operations with vouchers from taxes is another loss for the budget. According to Goskomstat data, last year alone and in six months of this year, investment funds carried out 65.4 million operations in the purchase and sale of checks. That means the collection of taxes generated by those operations was to have contributed R2.3 trillion to the budget. By way of comparison: In the 1995 draft budget, that sum is double the amount of funds allocated for the support of industry.

Thus, opinions about the path that has been travelled differ. In any case, we may consider as a reference point only those data that contain information suitable for an analysis, and there is not much data like that.

We know that the absence of effective control over privatization in 1992-1994 created the atmosphere for numerous financial swindles. According to data released by Goskomstat, some 27,284 crimes involving vouchers were reported last year. Another 1,131 crimes of that kind occurred in the first six months of this year. Are these figures accurate? Judging by the number of complicated situations in which certain luckless owners of "a part of the national wealth" have found themselves, they are hardly accurate.

Furthermore, if privatization had proceeded in a well-grounded and thorough manner, profits derived from economic activity of enterprises and organizations could have become a serious source of funds for replenishment of all types of budgets. This is specifically the way in which budgets are replenished in all countries where state property is sufficiently extensive. In our case, however, that opportunity was lost to a great extent, because most of the highly profitable and promising enterprises were first to be privatized. By all indications, that was hardly advantageous. We are speaking of nonferrous metallurgy enterprises, power engineering enterprises, enterprises of the oil and gas complex, and air transport enterprises.

Let us add that the federal budget lost the opportunity of receiving revenues in the form of dividends from shares of stock of federally owned enterprises—there were a number of government decisions to that effect. The result was a rise in the budget deficit.

Here is another characteristic figure. Revenues from privatization in a country where state ownership was total amount to less than one percent in the budget.

Now here are some data on how many checks were actually used and how many remain lying around in desk drawers at home. According to Goskomstat RF, prior to 1 July 1994, the day voucher privatization ended, some 78.7 million checks were collected. As of November of this year, a total of 148.5 million checks were taken out of circulation. There were as many checks as there is population in Russia. If you want to take that on faith, go ahead; if you want to, you can check it.

Finally, the last indicative figure. A total of R160.37 billion, yielded by privatization, was received by the federal budget in October. Almost an equal amount went to help state privatization organs. Let us take into account that these organs are financed out of federal and territorial budgets, in addition to which they also receive foreign aid.

Abolition of Oil Export Quotas Critiqued

954F0851A Moscow SEGODNYA in Russian 31 Dec 94 p 2

[Article by Aleksandr Bekker: "Government Corroded by Contradictions"]

[FBIS Translated Text] Referring to a highly placed representative of the Ministry of Economics, INTERFAX disseminated a report yesterday: "The Russian petroleum processing industry is able to satisfy the needs of the domestic market for fuel and lubricants only if the difference between world and domestic prices of energy sources is maintained." On the condition that he remain incognito, one of the ministry's leaders took the liberty of slightly blackmailing the public: If we were to carry out the idea of the liberals in the government of abolishing export quotas for oil, it would not only leave domestic oil refineries with nothing to do but would place many industrial enterprises and entire branches on starvation rations.

It is no accident that the government bureaucrat who granted the interview wished to remain anonymous: His views run counter to the position of his immediate superior—the minister of economics, Mr. Yasin, and his first deputy, Mr. Urinson. They think that directive regulation of exports is a holdover from the old centralized economy, which impedes the exportation of raw material and correspondingly reduces foreign currency revenues into Russia. Elimination of methods of nontariff regulation is precisely coordinated with previous decisions of the executive power—President Yeltsin's May edict on abolishing export quotas and licenses and the Government's August memorandum. The latter stipulated that effective 1 January 1995 the institution of specialized petroleum exporters and quotas and licenses would be abandoned. This was not a purely formal step—"liberalization for the sake of liberalization." Nor

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can this be considered to be bowing and scraping to the International Monetary Fund and the World bank in order to acquire loans from these institutions. The liberation of exports from the bureaucratic dictatorship would be a catalyst for market reforms.

The bureaucrat from the Ministry of Economics who is unnamed by INTERFAX paints a terrifying picture, which would supposedly follow the abolition of export quotas for oil: "The equalization of world and domestic prices would lead to destabilization of the operation of the entire domestic petroleum processing industry, in which energy consumption is almost twice as great and in terms of world standards there are many more workers per unit of output." In other words, keep oil prices as high as possible so that oil refineries can continue to function with obsolete equipment and thus keep "superfluous people" on the job.

There is one big flaw in the bureaucrat's position: The lack of an incentive to restructure (the raw material is cheap—30 percent of the world price) leads to a situation where the thoroughness of the processing of petroleum at domestic oil refineries averages 62 percent while in the West it is 75 percent, and at refineries in California the yield of light fractions is 94 percent.

In order to make his position seem more convincing, the highly placed bureaucrat from the Ministry of Economics did not refrain from out-and-out falsehood. He stated that Russian oil producers are taking advantage of all means available to not meet the government requirements for the sale of 65 percent of the oil for processing on the domestic market. "At the same time, 28 Russian oil refineries with an overall nominal capacity of 275 million tonnes of oil per year even today are loaded by only 68 percent, processing about 180 million tonnes of crude. And, if the oil deliveries to the refinery were to drop below 170 million tonnes, some of the industrial enterprises would have to shut down.

Let us note, however, that the government requirement to sell 65 percent of the oil on the domestic market simply did not exist: The Ministry of Foreign Economic Relations regulates exports through quotas and licenses. Throughout 1994 the oil refineries repeatedly refused to accept crude from the oil producers because all of their capacities were overloaded. Oil reserves were even being stored in lateral pipelines. To sound all the alarms and frighten everyone about the production situation is tantamount to when the deceitful little boy cried "Wolf!" With a 40-percent decline of industrial production in three years because of the downsizing of enterprises of the military-industrial complex, a reduction of the consumption of energy sources is quite natural.

It seems that this interview should be considered in the context of the heated debates in the government regarding liberalization of foreign economic activity. Hence, also the somewhat unexpected rejection by the minister from the Ministry of Foreign Economic Relations, Mr. Davidov, of the idea of establishing quotas for imports and creating "specialized importers." Hence, also, possibly, the words about softening positions regarding replacement of export quotas for oil—with domestic ones. At the same time, the Ministry of Foreign Economic Relations is all of a sudden registering specialized exporters, which contradicts the government memorandum.

There will be heated discussions in the government regarding the access of oil producers to the export "pipe." A no less crucial seizure will occur under the privatization program: The tone was set by the new chairman of the State Committee of the Russian Federation on the Administration of State Property, Mr. Polevanov, who demanded a "change of economic policy." The alignment of forces in the White House will be clear in the next few weeks. It will largely determine also the real economic policy of the Cabinet of Ministers in 1995.

Government Outlines Procedures, Indicators for Audits

Text of Government Decree

954E0440A Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 13

["Decree of the Russian Federation Government No. 1355, 7 December 1994, City of Moscow: On the Basic Criteria (System of Indices) for the Activity of Economic Entities Whose Bookkeeping (Financial) Accountability Is Subject to Mandatory Annual Audit"]

[FBIS Translated Text] In implementation of Edict of the Russian Federation President No. 2263, 22 December 1993, "On Auditor Activity in the Russian Federation" (SOBRANIYE AKTOV PREZIDENTA I PRAVITELSTVA ROSSIYSKOY FEDERATSII, 1993, No. 52, Art. 5069), and No. 2004, 24 October 1994, "On Clarification of the Time Frames for Conducting Measures With Respect to Regulation of Auditor Activity in the Russian Federation" (SOBRANIYE ZAKONODATELSTVA ROSSIYSKOY FEDERATSII, 1994, No. 27, Art. 2852), the Russian Federation Government decrees:

1. To confirm the attached basic criteria (system of indices) for the activity of economic entities whose bookkeeping (financial) accountability is subject to mandatory annual audit (henceforth—basic criteria for the activity of economic entities).

For the purposes of this decree, by the term economic entity is understood the following, regardless of organizational-legal form or type of ownership: enterprises and their organizations (unions, associations, concerns; sector, inter-sector, regional, and other organizations); institutions; banks and other credit establishments, as well as their unions and associations; insurance organizations; commodity and stock exchanges; investment, pension, social, and other funds; citizens engaged in

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independent entrepreneurial activity; auditor firms and auditors operating independently.

2. To establish that the following are obliged to obtain an auditor's determination with respect to their annual bookkeeping account:

—beginning with the 1994 account—the economic entities indicated in Points 1, 2, and 3 of the Basic Criteria for the Activity of Economic Entities;

—beginning with the 1995 account—the economic entities indicated in Point 4 of the Basic Criteria for the Activity of Economic Entities.

3. That the Russian Federation Ministry of Finance shall, within one month, bring the Statute on Bookkeeping, Inventory, and Accounting in the Russian Federation into conformance with this decree.

4. To propose that the Commission on Auditing Activity of the Russian Federation President generalize results of the application in 1995-1996 of the basic criteria for the activity of economic entities and, when necessary, present proposals to the Russian Federation Government on their clarification.

5. This decree enters into force as of its date of publication.

[Signed] Chairman of the Russian Federation Government
V. CHERNOMYRDIN

List of Basic Criteria for Audits

954E0440B Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 13

["Basic Criteria (System of Indices) for the Activity of Economic Entities Whose Bookkeeping (Financial) Accountability Is Subject to Mandatory Annual Audit"]

[FBIS Translated Text] The bookkeeping (financial) accountability of economic entities is subject to mandatory annual audits in accordance with the following criteria (system of indices) of activity:

1. Organizational-legal form of the economic entity.

Economic entities having the organizational-legal form of open joint-stock company with more than 100 participants (stockholders) at the end of the accounting year are subject to mandatory annual audit.

2. Type of activity of the economic entity.

The following are subject to mandatory annual audit by type of activity:

—banks and other credit establishments;

—insurance organizations and mutual insurance associations;

—commodity and stock markets;

—investment institutions (investment and check investment funds, holding companies);

—nonbudget funds whose sources of assets are mandatory withholdings made by juridical and physical persons, envisaged by Russian Federation legislation;

—charitable and other (noninvestment) funds, whose sources of assets formation are voluntary withholdings of juridical and physical persons;

—other economic entities whose type of activity entails a mandatory annual audit as prescribed by federal laws, edicts of the Russian Federation president, and decrees of the Russian Federation Government.

3. Sources of formation of authorized capital (charter fund) of the economic entity.

Economic entities are subject to mandatory annual audit if their authorized capital (charter fund) includes a share belonging to foreign investors.

4. Financial indices of the activity of an economic entity.

Economic entities (with the exception of those falling entirely under state or municipal ownership) are subject to mandatory annual audit when at least one of the following financial indices of their activity exist:

—volume of proceeds from production sales (work, services) over the year in excess of 500,000 times the minimum wage established by Russian Federation legislation;

—total assets at the end of the accounting year in excess of 200,000 times the minimum wage established by Russian Federation legislation;

In determining the financial indices in question, the minimum wage taken into account is that which has been established by Russian Federation legislation in its average annual computation over the accounting year.

Commentary on Decree

954E0440C Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 13

[Commentary: "Entrepreneurs—Get In Line for Audit, Auditors—Get In Line for a License"]

[FBIS Translated Text] The annual audit for commercial banks was introduced in 1990, for insurance companies—in 1992, and so this decree confirms the existing norms with respect to these structures. The Edict of the Russian Federation President on Audit Activity in the Russian Federation dated 22 December 1993 stated that audits with respect to economic entities involving the participation of foreign capital would be conducted in accordance with established procedure. Here is the government document that establishes such (mandatory) procedure.

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We know that the expansion of the circle of juridical persons subject to annual audit was dictated to a significant degree by scandals surrounding the investment funds and joint-stock companies attracting the funds of the populace. And so these measures are aimed at protecting the interests of depositors and stockholders.

Since adoption of the decree entails a more extensive requirement for the services of auditing firms, the question of their quality inevitably arises. As the Commission on Auditing Activity of the Russian Federation President informed us, about 3,000 auditing firms are presently in operation, of which 159 bank auditing structures and around a dozen insurance auditing structures have the appropriate license.

According to the above-mentioned presidential edict, auditing firms were required to obtain licenses before the end of this year, but it is apparent that we will not be able to confine ourselves to this time frame and will have to extend it a half year. The government will make a final decision on this matter. Issue of licenses is carried out by appropriate structures of the Ministry of Finance, Central Bank, and Russian Federal Service for Oversight of Insurance Activity.

Failure to fulfill the requirements of the decree may lead to a situation where, for a bank, for example, the Tax Inspectorate does not accept an annual report and it does not get published, since its authenticity has essentially not been confirmed. We must remember that financial liability is envisaged for auditing firms if the results of an inspection do not conform to reality.

Imported Goods Requiring Certification

Commentary on Certification of Goods

954E0449A Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 12

[Article: "Import Prohibited Without Certification—Commentary on Certification of Goods Subject to Mandatory Certification Being Imported into Russia"]

[FBIS Translated Text] **The Russian Federation Law "On Protecting Consumers' Rights" specifically stipulates that all goods, both domestic and imported, must be safe for humans and the environment and must undergo certification. In connection with this, the State Customs Committee and Gosstandart Rossii [RF Committee on Standardization, Metrology, and Certification] have approved the procedure for importing goods onto Russia's territory. The most important thing in it is the strict requirement that foodstuffs and industrial output for consumers are required to have a certificate from the GOST R [All-Russian State Standard] System, that is to say, they must be tested and meet all safety requirements.**

Almost 2 years of work experience has made us look at certain features in a new way. A list of imported goods subject to safety control and a diagram for doing certification work are shown and the requirements for organizations which may perform that work are specified in the document approved on 15 September by the chairman of Gosstandart, S. Bezverkhiy, and offered for your attention today.

As we were informed at Gosstandart, this refers mainly to consumer goods today. In the future, the list of products controlled will be expanded to include means of production.

1. Goods included in the products list (Appendix No 1) defined by Gosstandart Rossii (in accordance with the Russian Federation legislation "On Protecting Consumers' Rights") are subject to mandatory certification.

2. Certification must ensure the import into Russia of goods which satisfy the standards and other national documents which establish the mandatory requirements for goods based on Russian legislation. The following things should be ensured:

—the safety and ecological cleanliness of the goods;

—the functional features of the goods;

—the pledge of an objective and competent evaluation of the goods when they are certified;

—prompt certification and convenience for the applicant;

—recognition of foreign certificates and testing documents must be reciprocal.

3. The document confirming that the goods meet the established requirements is the certificate issued under the rules of the GOST R Certification System (any of those cited in the Import Procedure mentioned).

4. The foreign producer or seller of goods being imported into Russia may turn to one of the testing laboratories indicated in Point 5 or to one of the organs for certifying the particular type of output indicated in points 6 and 7 for testing and certification of goods. One can obtain information on legislative enactments in the area of certification in effect in Russia, accredited testing laboratories and certification organs, and certification rules at Gosstandart Rossii, trade representations of Russian embassies, and trade representations of foreign states in Russia.

A diagram for conducting certification of goods imported into Russia is shown in Appendix No 2.

Certification of goods to be imported into Russia must as a rule be conducted before they are delivered to Russia.

5. The following bodies may do the work of testing goods for the purpose of certification (without the issue of a GOST R System certificate):

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—a testing laboratory (located either in Russia or abroad) accredited in an international certification system which Russia has joined (Appendix No 3);

—a testing laboratory (located abroad) which is accredited in a foreign national certification system and has been approved by Gosstandart Rossii on the basis of a bilateral agreement with the national certification organ;

—a testing laboratory located abroad accredited by Gosstandart Rossii in the GOST R Certification System;

—a testing laboratory located on Russia's territory which has been accredited in the GOST R Certification System;

—a testing laboratory accredited in a country which is a member of the Interstate Agreement on Standardization, Metrology, and Certification under agreed-upon rules and procedures.

All the laboratories listed above must be recorded in the Register of the GOST R Certification System.

Work may be done to test goods under a subcontract in testing laboratories, divisions, branches, and joint ventures accredited in the GOST R System, but no more than 20 percent of the total volume of work on each contract (application).

6. The following bodies may conduct certification of an article for the purpose of obtaining documents recognized in Russia (emblems of compliance, seals, testing documents) confirming the article's compliance with established requirements:

—a certification organ (located either in Russia or abroad) accredited in an international certification system which Russia has joined;

—a certification organ accredited under the rules and procedures accepted in countries which are members of the Interstate Agreement on Standardization, Metrology, and Certification [IA].

7. The following bodies may conduct certification of goods and formalization of certificates of compliance in effect on the territory of the Russian Federation:

—a certification organ located on Russian Federation territory accredited in the GOST R Certification System for the particular group of output;

—a certification organ located abroad accredited by Gosstandart Rossii in the GOST R Certification System or by a Gosstandart Rossii office abroad;

—a certification organ (located abroad) which is accredited in a foreign national certification system and has been approved by Gosstandart Rossii on the basis of a bilateral agreement with the national certification organ;

—Gosstandart Rossii or, at its instructions, the territorial organ of Gosstandart Rossii, if there is no organ accredited in the GOST R Certification System for certifying the given group of output, or if disputes must be resolved.

Certification is conducted on the basis of testing documents obtained at the testing laboratories indicated in Point 5.

The certificate of compliance of the GOST R Certification System may also be formalized on the basis of documents recognized in Russia which confirm the article's compliance with established requirements.

Performance of work by certification organs under a subcontract, like the creation of their branches in Russia, abroad, or in third countries, is not permitted without the consent of Gosstandart Rossii.

8. Certain groups of goods being imported into Russia are submitted for certification only with a hygienic, veterinary, or plant health certificate confirming their compliance with specific safety requirements for these groups of goods.

All goods submitted for certification for the purpose of obtaining authorization for import into Russia must have information on the article and the rules for its use in the Russian language (labels, instructions for use, and other accompanying documentation).

9. For measuring instruments being imported into Russia which according to the Russian Federation Law "On Ensuring Unified Measurements" are subject to use in the spheres of distribution of state metrological control and supervision, a certificate on confirmation of the type of measuring instrument which is issued on the basis of results of tests confirming compliance with the established metrological norms and safety requirements must be formalized by Gosstandart Rossii.

10. Gosstandart Rossii sets up certification organs in the GOST R Certification System abroad with the consent of the national certification organ of the country in which this organ is being set up and in accordance with the legislation of this country.

The creation of testing laboratories abroad—joint branches and divisions—is carried on by any subject of economic activity in accordance with the legislation of the country in which the testing laboratory is being set up.

Gosstandart Rossii provides accreditation of these laboratories in the GOST R Certification System.

11. Gosstandart Rossii provides general coordination of work to organize the certification of output being imported into Russia and subject to mandatory certification.

Gosstandart Rossii information may be obtained at the following address:

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117049, Moscow, Leninskiy prospect, 9, fax: (095) 237 60 32;

as well as:

on certification questions: telephone number (095) 236 72 63,

on standardization questions: telephone number (095) 236 45 00,

on metrology questions: telephone number (095) 236 30 42.

List of Goods Requiring Certification

954E0449B Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 12

[Text of Appendix No 1: "List of Output and Services Subject to Mandatory Certification in the Russian Federation"]

[FBIS Translated Text]

1. Goods of the Machinebuilding Complex

1.1. Household equipment for purifying water 1.2. Manual household vacuums 1.3. Manual household compressors 1.4. Household equipment for purifying air and gases 1.5. Small (household) metal cutting machines 1.6. Household wood processing machines 1.7. Metalworking and installation tools 1.8. Abrasive tools 1.9. Diamond tools 1.10. Wood cutting tools 1.11. Products for intersectorial application 1.12. Motor transport equipment 1.13. Special and specialized motor transport equipment for hauling construction materials and freight 1.14. Municipal service transport vehicles 1.15. Motorcycles and motor scooters and bicycles 1.16. Boat engines 1.17. Small agricultural tractors and engine blocks 1.18. Tools and implements for personal garden plots 1.19. Manual household tools 1.20. Pneumatic tools 1.21. Tools with hydraulic and pneumatic drive 1.22. Elevators 1.23. Household equipment running on solid or liquid fuel or fuel gas 1.24. Heating boilers 1.25. Kitchen appliances 1.26. Handguns for nonmilitary purposes 1.27. Personal river and ocean-going pleasure boats 1.28. Baby carriages

2. Goods of the Electrical Engineering, Electronics, and Instrument Making Industries

2.1. Refrigeration devices and heat chambers for storing and freezing products 2.2. Appliances for preparing food 2.3. Appliances for mechanizing kitchen work 2.4. Sanitary-hygiene appliances 2.5. Microclimate and mild heat devices 2.6. Sewing machines 2.7. Other household appliances and tools 2.8. Machines and equipment for private farming and private plots 2.9. Sanitary-hygiene machines 2.10. Cable, wire, and flexible cord with polyvinyl chloride insulation for up to and including 450/750 volts 2.11. Cable, wire, and flexible cord with rubber insulation for up to and including 450/750 volts 2.12. Instrument and automatic switches 2.13. Circuit breakers for stationary units 2.14. Electrical couplers 2.15. Instrument couplers 2.16. Light fixtures 2.17. Light bulbs 2.18. Lamps 2.19. Insulation materials 2.20. Low voltage control devices 2.21. Mounted protective equipment 2.22. Protective devices 2.23. Low power transformers and similar equipment 2.24. Household electric arc welding equipment 2.25. Mobile electric power plants 2.26. Manual electric machines 2.27. Alkaline and acid storage cells and batteries 2.28. Primary elements and batteries 2.29. Low and medium power electric motors 2.30. Measuring instruments 2.31. Electric counters 2.32. Electric analog measuring instruments 2.33. Signaling systems 2.34. Electronic entertainment appliances 2.35. Automatic games 2.36. Office equipment 2.37. Computers 2.38. Film and photo equipment and accessories 2.39. Radio communications equipment 2.40. Telephones, automatic telephone exchanges, and phototelegraph devices

3. Medical Equipment

3.1. Stomatological materials 3.2. Medical instruments 3.3. Electrical medical appliances and devices 3.4. Low frequency devices for electrotherapy 3.5. High frequency and quantum devices for electrotherapy 3.6. Implants 3.7. Medical Equipment

4. Goods from Agricultural Production and Food Products

4.1. Sugar and confectionery goods made of sugar 4.2. Cocoa and products made from it 4.3. Items from cereal grasses, flour, starch, and milk and farinaceous confectionery goods 4.4. Products made from processing vegetables, fruits, and nuts and other parts of plants 4.5. Alcoholic and nonalcoholic beverages and vinegar 4.6. Salt 4.7. Tobacco and industrial substitutes for tobacco 4.8. Various other food products 4.9. Coffee, tea, mate (Paraguay tea), and spices 4.10. Meat and edible meat by-products 4.11. Items made from meat, fish, and crustaceans, mollusks, or other marine invertebrates 4.12. Fats and animal or vegetable oils and products from their lipolysis 4.13. Milk and dairy products, poultry eggs, natural honey, and food products from animals 4.14. Fish and crustaceans, mollusks, and other marine invertebrates 4.15. Output from the flour-milling and groats industry, malt, starch, inulin, and wheat gluten 4.16. Cereal grains 4.17. Vegetables and some edible root and tuberous crops 4.18. Edible fruits and nuts and peels and rinds of citrus and melon crops 4.19. Cosmetics 4.20. Feed and feed resources

5. Light Industry Goods

5.1. Children's underwear fabrics 5.2. Children's knitted underwear 5.3. Children's underwear garments 5.4. Children's shoes 5.5. Medical textile items 5.6. Porcelain and glazed pottery 5.7. Toys

6. Goods of the Raw Material Sectors and Wood Processing

6.1. Utensils made of ferrous and nonferrous metals 6.2. Mineral fertilizers 6.3. Oxidants 6.4. Helmets and protective headgear 6.5. Detergents 6.6. Pesticides 6.7.

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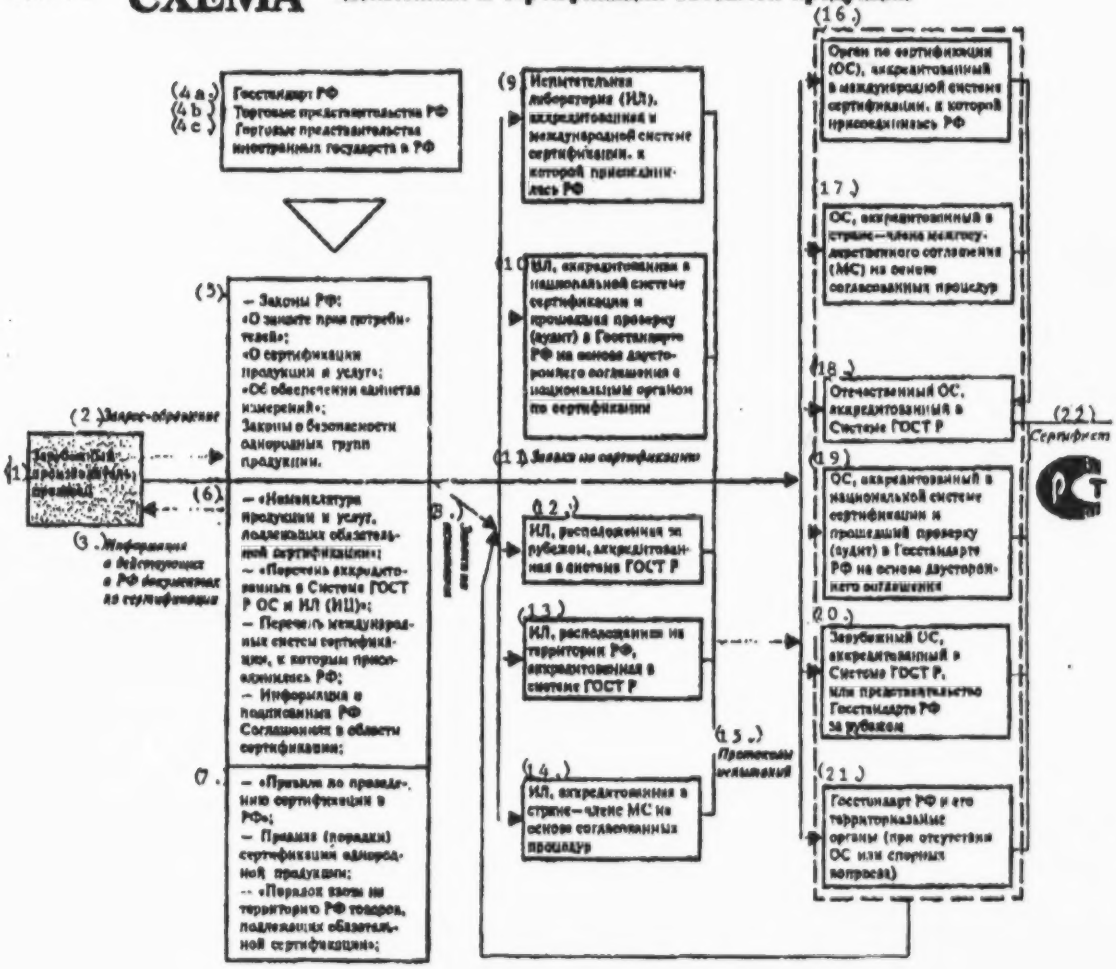
Diagram of Testing and Certification of Output Being Imported

СХЕМА испытаний и сертификации ввозимой продукции



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Key:
1. Foreign producer, seller
2. Request-application
3. Information on certification documents in effect in the RF
4a. RF Gosstandart
4b. RF trade representations
4c. Trade representations of foreign states in the RF
5.—RF Laws: "On Protecting Consumers' Rights"; "OnCertification of Output and Services"; "On Ensuring Unified Measurements"; and Laws on the safety of similar groups of output.
6.—"List of Output and Services Subject to Mandatory Certification";—"List of CO's [Certification Organs] and TL's [Testing Laboratories] (TC's [Testing Centers]) Accredited in the GOST R System";—List of International Certification Systems Which the RF Has Joined;—
Information on Agreements in the Field of Certification Signed by the RF;
7.—"Rules on Conducting Certification in the RF";—Rules (Procedures) for Certification of Similar Output;—"Procedure for Importing Goods Subject to Mandatory Certification into RF Territory";
8. Applications for Testing
9. Testing laboratory (TL) accredited in an international certification system which the RF has joined
10. TL which is accredited in a national certification system and has been approved (audited) at RF Gosstandart on the basis of a bilateral agreement with the national certification organ
11. Application for Certification
12. TL located abroad accredited in the GOST R system
13. TL located on RF territory accredited in the GOST R system
14. TL accredited in a country which is a member of the IA on the basis of agreed-upon procedures
15. Testing Documents
16. Certification organ (CO) accredited in an international certification system which the RF has joined
17. CO accredited in a country which is a member of the Interstate Agreement (IA) on the basis of agreed-upon procedures
18. Domestic CO accredited in the GOST R System
19. CO which is accredited in a national system of certification and has been approved (audited) at RF Gosstandart on the basis of a bilateral agreement
20. A foreign CO accredited in the GOST R System or a RF Gosstandart office abroad
21. RF Gosstandart and its territorial organs (if there is no CO or if there are disputes)
22. Certificate

Items made from rubber 6.8. Acids 6.9. Hydrogen and inert gases 6.10. Plastic and items made from it 6.11. Tires 6.12. Charcoal 6.13. Petroleum products 6.14. Plywood 6.15. Chipboard 6.16. Friction materials and items made from them 6.17. Safety glass 6.18. Furniture 6.19. Matches

7. Individual Respiratory Protective Gear

8. Packaging

9. Pyrotechnical Items

10. Veterinary Biological Compounds

10.1. Veterinary biological compounds 10.2. Decontamination equipment

Diagram of Certification Process

954E0449C Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 12

[Appendix No 2: "Diagram of Testing and Certification of Output Being Imported"]

[FBIS Translated Text]

List of International Certification Systems Which Russia Has Joined

954E0449D Moscow ROSSIYSKAYA GAZETA in Russian 6 Jan 95 p 12

[Text of Appendix No 3]

[FBIS Translated Text] 1. IEC [International Electrotechnical Commission] System for Certification of Electronic Components (IECEO, an IEC organization)

2. System for Certification of Electrical Equipment for Compliance with the Safety Requirements of IEC Publications (IECEE, an IEC organization)

3. Agreement on Adoption of Uniform Conditions for Official Confirmation and on Mutual Recognition of Official Confirmation of Objects of Equipment and Parts of Mechanical Means of Transportation (adopted within the framework of the United Nations EEC [European Economic Commission])

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National Affairs

Saburov Quizzed on Meshkov Moscow Ties

954F0886B Simferopol KRYMSKAYA PRAVDA in Russian 11 Jan 95 p 2

[Interview with Yevgeniy Saburov by correspondent S. Sukhanova; place and date not given: "'I Do Not Consider the Time in Crimea Wasted': Several Questions to the Former Vice Premier of the Government of Crimea"]

[FBIS Translated Text]

[Sukhanova] Yevgeniy Fedorovich, there have been various rumors concerning you since your resignation. The president's press office once published information to the effect that you and other members of the "Moscow" government are Yu.A. Meshkov's advisers. Only Yeliseyeva-Bora refuted this announcement.

[Saburov] There are several answers here. There is an edict of Yu.A. Meshkov saying that the entire government would switch to working in an adviser mode. This was simply never formalized organizationally. None of the members of our government has any attributes of office, is on the list of personnel, or is in receipt of pay. If, on the other hand, this edict is understood as the president's desire to confer with experienced people, no one would deny the sense of this or refuse to help Crimea. We are all enamored of Crimea, and each of us is by virtue of his professional or human capabilities prepared to present his recommendations if they are required. But this is not a part of our daily official activity. We are all busy with our own work.

[Sukhanova] Have you returned to Moscow or do you live in Crimea?

[Saburov] We live and work in Moscow. I have come to Yalta for several days to spend New Year's with my mother. After all, I am, as you know, a Crimean, from Yalta. I shall avail myself of the opportunity to congratulate my fellow countrymen on the New Year and to wish them only the best.

[Sukhanova] Your detractors maintain that you have bought up or are about to buy up some real estate on the South Shore. Is there, being honest, anything to these rumors?

[Saburov] Neither I nor other members of the government are hatching any plans to buy up real estate, nor do we have any resources for this.

[Sukhanova] It is said that you maintained that the property on Crimea's South Shore was worthless and that no one would buy it in the shape that it is in currently. It is concluded from this that your purpose was to "sell off Crimea for kopeks."

[Saburov] The government never stated that the property on Crimea's South Shore was worthless. On the contrary, members of the government believed that when stock companies were being formed, the valuation of privatized properties in accordance with the market value determined by the procedures accepted in developed countries should be employed. Privatization in Crimea should, generally, begin by no means with hotels but with industrial and agricultural enterprises and properties of municipal ownership. Crimea is impermissibly behind-hand here not only compared with Russia but with Ukraine also now.

[Sukhanova] Some of those who followed the activity of your government with sympathy consider, nonetheless, that there had come from Moscow a team of theoreticians which attempted to embody its economic ideas in a small space, but was misunderstood and lacked a mechanism of their introduction in practice.

[Saburov] Knowledge of theory is no vice, but in Russia I am considered a practical expert. We were invited and we consented with Crimea's independence in mind. It is wrong to evaluate our actions by adopting an oblast council executive committee approach. An oblast council executive committee may be good or bad, but it cannot pursue an economic policy different from that of the state. We pursued such a policy. Our actions caused nervous shock in Kiev. But we very soon realized that the framework that we had been given was too narrow for the rapid implementation of reforms. I would remind you that my first public statement of my desire to resign was made back in May.

[Sukhanova] Why was a government not formed, for all that?

[Saburov] For my part, this demand had been made repeatedly with the presentation of a list of candidates, local personnel, in the main. Many people on this list are now working in A.R. Franchuk's government, incidentally. But we were prevented from forming a government.

[Sukhanova] Is it true that in an evaluation of personnel the president proceeded from the principle of party affiliation, personal devotion, or other motives and that your list was not to his liking?

[Saburov] I do not know.

[Sukhanova] Do you regret having accepted Yu.A. Meshkov's invitation? Do you consider the time in Crimea wasted?

[Saburov] Oh, no, I do not consider any time in my life wasted. We were given an opportunity to operate in a narrow space: in the sphere of the budget, and we were convinced that a prudent, normal policy could rectify even a hopeless situation. The rate of decline was slowed, and the budget was replenished. Our experience, which is without parallel throughout the post-Soviet space, is now being interpreted in the Ministry of Economics of Russia. I am greatly astonished that Crimea has abandoned what was achieved thanks to a selective,

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"pointed" tax policy and specific tax agreements. A return to branch tax privileges is absolutely futile, in my view.

[Sukhanova] You continue, while living in Moscow, to take an interest in what is happening here. Is your present work connected with Crimea in any way?

[Saburov] An Investment Problems Institute, which I have been entrusted with leading, is being formed through the efforts of a group of like-minded economists. We are currently in the organizational phase. There is no need to explain how urgent this topic is today for Russia, and not just Russia. Crimean material also will be reflected in the context of interpretation of the historical experience of the development of Russian industry. Whether our efforts in Crimea prove to be of any use, time will tell.

Right-Center Majority Forming in Parliament

954F0872B Kiev KIYEVSKIYE VEDOMOSTI in Russian 4 Jan 95 p 3

[Article by Natalya Ishchenko: "Right Centrist Majority Will Likely Be Formed in the Third Session of Parliament"]

[FBIS Translated Text] The Second Session of the Ukraine Supreme Council ended three days prior to the New Year. I do not know how the inhabitants of our country interested in politics feel about it, but to journalists this session was mindful of a "detective series," whose main characters constituted various laws (on the authority, on joining the Nuclear Nonproliferation Treaty), decrees (No. 733 on liberalization of prices, on privatization), edicts (banning the CPSU-CPU [Ukrainian Communist Party], on land reform)... It was very interesting to observe from the press box how deputies discussing one issue or another, split up in two rooms, tried as hard as they could to throw stones in the other's garden. Or when representatives of the executive authority mounted the podium and deputies, rising to the occasion, pitched "shock" questions one after another, from the left and from the right. Indeed, the working process within our highest legislative organ could be labeled a good many things, good and bad, except perhaps "boring." How do the deputies themselves assess the Supreme Council session that has ended? What are their predictions for the development of events at the third session? VEDOMOSTI posed these questions to Petr Sheyko, chairman of the parliamentary Commission on Regulations and Deputy Ethics, and Aleksandra Kuzhel, deputy chairman of the Commission for Economic Policy and Management of the Economy.

Petr Sheyko believes the parliamentarians "did not adequately work on the establishment of a normative legal base for swiftest possible accomplishment of reforms in Ukraine," devoting a great deal of attention to political squabbles. "This was manifest in especially graphic fashion," the deputy stated, "when we examined the question spontaneously proposed by the Communist faction with respect to the repeal of edicts of the Presidium of the Supreme Council banning the Communist Party." But the positions of the left and right were precisely defined here, which may be considered a positive result, in Petr Sheyko's view.

Today, in the deputy's opinion, "the Supreme Council has in essence reached a stalemate," since it has no clear-cut majority. "Although," the parliamentarian noted, "the outlines of establishment of a right-centrist bloc have already taken shape—and this is a positive development. I believe that a right-centrist majority will be formed in the Third Session." It will include deputies "who will support the president in the conduct of economic reforms."

Aleksandra Kuzhel agrees with this assessment of the results of the second session and prospects for the third session. She stated in an interview with VEDOMOSTI: "I believe the most significant event in 1994 was the fact that six deputy groups and factions (Reforms, MDG, Rukh, Derzhavnist, Yednist, Tsentr—N.I.) began to work together in the Supreme Council." This, the deputy is convinced, "will enable us to adopt laws vitally important to our country."

Thus, rightists and centrists are uniting in order to tackle economic issues "in earnest." But in the meantime, will the deputies succeed in forgetting about their intraparliamentary political disagreements and put their personal ambitions (if only temporarily) "on the back burner"?

Kerch Deputy Views Election Procedures

954F0886A Simferopol KRYMSKAYA PRAVDA in Russian 11 Jan 95 p 1

[Comments by Stanislav Zima, deputy chairman of the Kerch City Council Executive Committee, recorded by O. Vladimirov; place and date not given: "The Outcome of the Elections Must Not Be Disheartening"]

[FBIS Translated Text] **The Supreme Council of Crimea recently held parliamentary hearings on the Law on Elections to the Local Government Authorities. At the center of attention were questions connected with the mechanism of the elections of the chairmen of the city and district and village councils and the quota principle of representation of the deported peoples proposed by the Kurultay parliamentary faction.**

Stanislav Dmitriyevich Zima, deputy chairman of the Kerch City Council Executive Committee, who spoke in the course of the debate, also has a viewpoint on these matters.

"As we know, the opinions of deputies of the Supreme Council of Crimea on the question of the elections of the chairmen of the local councils were approximately evenly divided. Some believe that these elections should be conducted by general ballot, others advocate the

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chairman of the council being elected by its new corps of deputies. We in Kerch conducted a session of the city council, at which we considered all these matters in detail. We propose to conduct elections in the villages and townships by public ballot, and at the city and district level, to afford the newly elected deputies an opportunity to make the final choice.

"As the experience of such elections in other regions of Ukraine has shown, the result of a public ballot has frequently produced a result which has been the direct opposite of the aspirations of the electorate. The management of the municipal economy and the overall economic situation in the city or district after the elections have only deteriorated. Why? Because the best-qualified specialists are already engaged in the executive authorities locally, as a rule. But under the conditions of the present abrupt deterioration in the life of the people the electorate will, naturally, vote against those who are currently working in the organs of local power. And the 'broom' of new elections sweeps away not only the unconscientious bureaucrats, what is more, but also those who are today propping up the municipal economy. And, given the shortage of managerial personnel locally, its place is taken by those who are good merely at populist-type promises, but by no means at actual work.

"We cannot agree with the arguments of those who consider the elections of a chairman of a council by its deputies undemocratic and secret, virtually. On the contrary, in this case the future mayor of the city undergoes a dual selection. He must first be elected a deputy and then gain the confidence of the entire corps of deputies.

"It is said, in addition, that with the present political polarization in society the election of a chairman in a council broken down into a variety of factions could take until kingdom come. But the law on elections should in this case specify the possibility of the direct appointment of the mayor by a decision of the Supreme Council or the president of Crimea. I believe that such a prospect would compel the deputies of this council or the other to act constructively on the serious issue of the election of a chairman.

In my view, it is essential to make changes to the draft law on elections balancing the quotas in the nomination of candidates for deputy. There should for the work force, as for political parties also, be one quota—50 persons. At the present time, given people's zero political activeness, mustering 100 activists in the course of a day at an enterprise is an unrealistic task.

And, finally, it is my belief that it is essential to allocate the deported peoples quotas at the elections, for which the corresponding single-seat constituencies should be formed. Under Kerch's conditions this would mean in practice that we would need to organize in addition to the 30 territorial constituencies that already exist one national—Crimean Tatar—constituency. There would be no sedition were the city council to have 31 deputies instead of 30. The main thing is that representatives of the deported peoples acquire the real possibility of representation in the local authorities.

Presidential Adviser on Referendum, Russia

954F0872A Kiev KIYEVSKIYE VEDOMOSTI in Russian 5 Jan 95 p 3

[Article by Maryana Oleynik: "Referendum on the Law on the Authority Is Possible, But Not Desirable—Believes First Presidential Assistant Aleksandr Razumkov"]

[FBIS Translated Text] Horoscopes are fine, but journalists prefer to hear about what the new political year promises from sources far more authoritative. For example, from Anatoliy Galchinskiy, presidential adviser for macroeconomics, and Aleksandr Razumkov, first assistant to the president, who participated in the regular briefing given by the president's administration.

The first assistant to the president (who personifies, incidentally, those traits in which the presidential team take such pride—youth and competence) noted that the president's strategic priorities remain unchanged. They are economic stabilization, the struggle against the "fifth power," the impermissibility of clashes and conflicts, including political ones, reorganization of the state authority—"We are convinced that the existing mechanisms and instruments of state authority are impeding the optimization of government, the direction of society," and the formation of a favorable external environment for political and economic transformations in Ukraine. In other words—the qualitative improvement of relations with the CIS countries.

The Law on the Authority remains on the agenda. According to Aleksandr Razumkov, opportunities for adoption of this law by the Supreme Council in the second reading have not been exhausted. "Though the obstacles we have been confronting turn out to be more substantive than expected." The chances of this matter reaching the referendum stage are "fifty-fifty," the first presidential assistant believes. But the president's team would not like to see it go this way; they are in favor of resolving this matter "through peaceful means."

VEDOMOSTI asked Mr. Razumkov's opinion regarding the development of relations in 1995 between Ukraine and Russia—prospects for signing a broad-scale Ukrainian-Russian treaty, negotiations on the Black Sea Fleet, resolution of economic issues, etc. "I am deeply convinced that this is one of the main orientations of our foreign policy activity. The Russia factor this year will be determinant in the development of the political and economic situation in our country," A. Razumkov stated. "Even if we see intensified negative internal political trends in Russia, regardless of relations with Ukraine, this will most definitely have an effect on our

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state." We must therefore find new, fundamentally different approaches to the building of Ukrainian-Russian relations, Aleksandr Razumkov stressed. For example, the idea of creating transnational corporations with the participation of Russia and other Commonwealth countries seems quite promising to one leader of the president's team. The more closely intertwined we are economically, Aleksandr Razumkov believes, the more our states will be interested in one another's stability.

Successful Donetsk Land Auction Described

954K0442A Lvov POST-POSTUP in Ukrainian No 46, 23-29 Dec 94 p 5

[Article by Maryana Chorna: "Lviv, Odessa, and Kharkiv—All Are Children Compared with the Authors of the Siverskodonetsk Land Auction"]

[FBIS Translated Text] Siverskodonetsk—**The first 100 days in office of Volodymyr Hrytsyshyn, the new mayor of Siverskodonetsk, were a pleasant surprise for the city's residents. In this short period of time, Hrytsyshyn's "managerial accomplishments" include a supply of vegetables at the old prices to last until next spring, 15 brand new trolley buses (half the number that the city had before), a new bus route, one unit of city executive committee housing (the first in three years), and more than 5 billion karbovantsi earned by Siverskodonetsk from a single land auction...**

Privatization is Hrytsyshyn's favorite child. The mayor is so fond of it that he personally heads the Municipal Property Fund. Fortunately, Siverskodonetsk lies some distance away from the oblast centers, and thus news about land auctions in Lviv, Kharkiv, and Odessa reached the city in very general terms. At all events, nobody bothered to figure out in any detail the mechanism of conducting these auctions, even though the desire to organize something along the same lines in their city emerged immediately. What was sold at the auction was the right to lease land for a period of three or 10 years. The mechanism for acquiring this right was ridiculously simple: Potential buyers were subject to tight restrictions with respect to reselling, giving away, or subletting the land; the mayor's office reserved the right to raise the rent; and there were separate provisions dealing with the ecological and functional conditions for the use of these plots. As regards foreigners, the mayor's office decided that they were also people, and if "something goes wrong," "in three years' time we will get rid of them."

...The auction was a merry affair. Deputy Mayor Renat Yusupdzhanov personally wielded the hammer, and he "liked it very much." The commission in charge of preparing the auction (the mayor and two lads from the land resources committee) proved not to be overbureaucratized, and therefore the measure was conducted with surprising speed. This was particularly gratifying when compared with the fact that in Lviv it took a whole pleiad of legal luminaries from the university to write the statute on the auction. Then the [council] session took two weeks to mark it up, the professors consulted with their American friends, and the result was that more money was probably spent just on preparing the statute than was earned at the Siverskodonetsk auction.

Twenty-two lots were auctioned, including two large plots of land (over 1,000 square meters in size)—one to be used for a small marketplace, and the other for a paid parking lot—and 20 small plots, measuring 10 square meters each, for commercial stalls in various parts of the city. The commission removed four lots from the auction, because it suspected collusion by buyers: The bidding was much too sluggish. The rest of the lots were sold with great success, and the money was paid with no hitches. What else could one expect given that the deposit was 50% of the starting price. And the starting prices were the most fantastic aspect of the auction. This is the explanation they gave me: "You see, to make sure that there would be more bidders, we set minimum prices." The new city hall office-holders felt that the minimum price was 1 million karbovantsi per square meter—that is, approximately $10. "What could we do—this is the lowest black-market price!" The bidding was fierce. The large plots (with the right to lease for 10 years) went to buyers at a modest price—at $10 per square meter. The small lots were sold at prices ranging from 1.2 million karbovantsi per meter—in other words, "for next to nothing"—to 1.99 million karbovantsi per meter. The average cost of the right to put a stall for three years on the sacred land of Siverskodonetsk and make use of the air within the boundaries of these 10 square meters ranged between $60 and $70.

Hrytsyshyn's cheerful team earned a total of 5.111 billion karbovantsi, which is enough to pay for all the medicines and social security for the city's residents until the end of the year. This does not include taxes and rent, which the successful bidders will continue to pay regularly. These results speak for themselves and need no comment, whereas one would very much like to analyze the results of the land auctions in Lviv and elsewhere in light of the Siverskodonetsk "miracle." Because it was in Lviv that the right to lease land for 50 years was "pushed" at the price of $0.28 to $1.50 per square meter, even though there were not many potential buyers. Later, those who "pushed" this price explained that "these were the prices that formed and we could do nothing about it." The mayor of Siverskodonets and his deputy refused to explain their results and turned aside our newspaper's questions with a polite smile "well, it just happened that things turned out this way here."

But there was nothing accidental about this. It was just that the major's office approached this business in a sober manner. To begin with, the concept of a lease with buy-out did not pass in Siverskodonetsk and will not pass. On hearing the phrase "buy-out by the labor collective," the mayor, his deputy, and the [municipal property] fund respond with the second part of the password: "out of the question, because we need an

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effective owner." Therefore, the only normal means of privatization is by auction (or competition).

The same thing happened when it came to land. The mayor's office understood that the thing that sells best is the thing for which there is a demand. Given our conditions, local businessmen cannot "manage" two hectares of land, but kiosks—gladly. Moreover, the more buyers there are, the less likelihood there is of collusion. Accordingly, the number of applications [for each lot] numbered from five to nine, and the sale price rose from six- to 10-fold from the starting price. Achieving these results does not involve a great deal: As Hrytsyshyn put it so colorfully: "steal less, take less, and do more."

P.S. There was no crowd of guests and journalists at the Siverskodonetsk auction; even the local television station did not send anyone. Too bad. The Communists used to have a nice custom—learning from the achievements of leading workers. Perhaps our fathers of democracy and market reforms should visit this modest city to do a little learning. To be sure, there are no 100-page programs here, but there is common sense. At least, that is what the first 100 days in office of the new mayor have demonstrated.

Economic Issues

Gas Industry Problems in Market Conditions Viewed

954K0440A Kiev EKONOMIKA UKRAYINY in Ukrainian No 12, Dec 94 pp 21-24

[Article by Candidate of Technical Sciences M. Kovalko, chairman of the Ukrainian State Council of Petroleum and Gas, and V. Yena, deputy chairman: "Economic Problems of the Gas Industry Under Conditions of the Market"]

[FBIS Translated Text] The emergence of market relations in the country necessitates a revision of priority structures of the national economy. It is an objective process, and must be reckoned with in working out and implementing measures of state regulation of the economy. Under any conditions, however, the fuel-energy complex and its component part—the gas industry—is the basis for the normal functioning and further development of practically all economic structures. Natural gas occupies a prominent place in Ukraine's fuel-energy balance: Gas's share in overall consumption in 1993 was 47.3 percent. State regulation of economic processes is implemented through price-formation, financial-credit policy (taxes, credit, budget, currency), investment regulation, science and technical policy, and so on.

At first glance the acute shortage of energy resources gives the impression that the sector is not working effectively enough. But the sector is in a position where the effectiveness of its functioning depends wholly on external factors, and its own efforts cannot really affect its level of profitability or reliable supplies of gas to consumers. The chief negative factor for the sector is that consumers are not paying for the gas, thus creating financial difficulties and making it impossible even to function normally, let alone undertake future technical retooling.

As of 1 September 1994, consumers owed Ukrhazprom [Ukrainian Gas Industry] over 14 trillion karbovantsy, and, in turn, Ukrhazprom owed Russia $1.7 billion. Obviously, the debt to Russia cannot go on rising indefinitely: Payment is inevitable, which will require solving the problem of reducing import dependence. That of course requires substantial investments, which are needed right now and will pay off in about seven years.

It is no less important to conduct a state policy fostering effective energy conservation. An elementary analysis shows that gas consumption is excessive in all sectors of the economy. Table 1 shows the dynamics of gas supplies in 1991-1993.

Table 1: Dynamics of Natural Gas Consumption by Sectors of Ukraine's National Economy (percentage of 1990)

	Years			
Sectors	1991	1992	1993	1995 (forecast)
Power engineering	89.8	78.4	59.8	64.7
Metallurgy	97.1	92.6	73.1	70.9
Chemistry	98.4	103.9	85.0	100.8
Agro-industrial complex	107	105.3	108.8	115.8
Building materials industry	96.7	91.7	75.0	71.7
Utilities and communal services	114.5	124.9	141.8	150.2
Gas industry (own needs)	101.4	94.1	107.3	102.9
Others	101.4	91.7	72.4	73.4
Total	100	96.0	86.5	91.5

In two years, gas consumption in Ukraine as a whole fell by 13.5 percent, while it rose substantially in the utilities and communal services sector and the agro-industrial complex. Although consumption did decline in industry, it was far less than the decline in production volume.

In the developed countries, the gross national product rose by 35 percent in 1973-1985 while energy consumption remained steady. Even when energy prices dropped in 1986, conservation tendencies were still maintained: While the gross product rose by 2.5 percent, energy consumption rose by only 0.8 percent.

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There are real possibilities of conservation in our industry as well. Large amounts of gas are wasted to produce goods that have no market—in other words, production just for the sake of production, which in economic terms is devoid of any practical sense. It is best to close a losing enterprise and then auction it off or privatize it and pay for social aid to the workers for a certain period, until the outfit can be reoriented to produce competitive goods. Solving the problem this way will make it possible to save energy resources for which enterprises are not able to pay their suppliers. The energy-intensiveness of Ukrainian goods is way too high. It is two to three times higher than in the advanced countries. According to Derzhhaznahlyad [State Gas Inspectorate] data, industry has large gas costs due to the low technical level of its equipment and its unsatisfactory use of secondary energy resources.

The gas industry itself is consuming too much gas for its own needs, due chiefly to the low efficiency of gas pumping units and other equipment. Regarding conservation, good results can be achieved by replacing obsolete components of gas-burning equipment, recovering more heat from gas combustion products, and improving the efficiency of heat units.

In order to exploit available reserves, in some cases the development of new conservation technologies and substantial investments are needed, including in the gas industry. Under market conditions, these investments should produce a profit; therefore, energy prices must be brought into line and made closer to world prices. Progressive penalties need to be introduced immediately for inefficient or wasteful gas consumption; also, profits earned by enterprises due to gas conservation should be exempted from tax.

Under conditions of market relations, the gas industry's functioning depends directly on consumers' ability to pay and the sector's ability to exert pressure on them (warnings, restricted deliveries, or even complete shutoffs of gas, the nonacceptance form of paying bills, and so on). This may not be applicable to all consumers, because some of them are receiving state subsidies.

Table 2 shows changes in the structure of gas consumption in 1990-1993.

Table 2: Dynamics of Sectoral Structure of Gas Consumption in Ukraine (percentage of total)

	Years			
Sectors	**1990**	**1991**	**1992**	**1993**
Power engineering	28.9	26.1	23.6	19.6
Metallurgy	14.7	14.4	14.2	12.5
Chemistry	10.7	10.6	11.6	10.5
Agro-industrial complex	4.8	5.2	5.3	6.0
Building materials industry	5.1	4.9	4.8	4.4
Utilities and communal services sector	17.9	20.6	23.3	29.4
Gas industry (own needs)	5.7	5.8	5.6	7.1
Others	12.2	12.4	11.6	10.2
Total	100	100	100	100

Compared with 1990, there was a drop in the share basically of the industrial sectors (power engineering, metallurgy, construction, machine building)—that is, those structures on which the gas industry can exert some pressure. The share of utilities and communal services rose from 17.9 to 29.4 percent, totaling over 30 billion cubic meters per year. That category of consumers is practically unrestricted in gas consumption and is subsidized by the state budget. The public gets gas at fixed prices which are only about 10 percent of actual accounting prices. Such a system is not very efficient, and it does not stimulate conservation or guarantee timely payment of gas bills. It is the lack of funds in the budget that has resulted in indebtedness amounting to over 12 trillion karbovantsy and placed Ukrhazprom AT [joint-stock company] in a difficult financial position.

Stability in the gas industry will have a positive effect on other sectors of the economy. It is no accident that gas industry development is regulated by the state in almost all countries. Therefore, it is necessary to work out and implement a complex of organizational-technical measures on the state level to ensure that the present level of gas production and transportation is maintained, and amounts are gradually increased. In order to put new facilities into operation, develop highly efficient technologies for refining gas and condensate, and effect technical retooling of existing energy technology facilities, the sector must have the necessary investments.

Limited energy resources make it necessary to develop technologies and create enterprises (jointly with foreign firms) to extract condensate from old gas fields, maximize the extraction of gas and condensate, make rational use of the components contained in them, and implement integrated automation of technological processes.

The gas industry has substantial scientific-research, design, planning, and productive potential capable of accomplishing the whole cycle from development and manufacture to the use of new equipment and technology. It is worthwhile, then, to set up sectoral integrated firms, with which production, transport, refining, and other enterprises can sign direct agreements to adopt new technology. The integrated firms can serve as general contractors whose job is to develop, manufacture in

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metal, test and connect, do construction and installation work, turn the facility over ready for operation, and provide service and maintenance. There could be a number of such firms, with various specialties (drilling equipment, gas preparation and compressing, refining, and so on).

Along with technical retooling, a complex of organizational-economic measures is needed on the state level to facilitate the financial-production stability of the sector's enterprises. Highest priority must go to financial relations. Problems of this sort must be resolved primarily through legislation.

Because our own gas production accounts for no more than 20 percent of our overall consumption, we think it essential that state support be provided only to budget-funded organizations and the public; other consumers should receive gas on the basis of direct agreements with suppliers or through a state pool company which will have to be set up. This requires creating a state system to form financial resources which will be concentrated in the State Committee for Petroleum and Gas and be used only to settle accounts with gas suppliers.

Low gas prices do not stimulate conservation; therefore it is necessary to draw up a program to gradually reduce subsidies to the public and, at the same time, organize accurate monitoring of gas consumption by the use of gas meters. This has to be done universally so that cost-accounting-based relations with all consumers are based on reliable metering. In cases of systematic violations, this will make it possible to figure bills on the basis of the readings of the meters and nonacceptance procedure with respect to payers.

While market relations are taking shape, the gas industry will need government support, in particular low-cost credit and tax breaks. A tough credit policy will make it hard to solve the sector's financial problems by taking out loans. Unacceptably high interest rates make investment plans ineffective, especially considering a certain period when it takes five to seven years for investments to start paying back. Therefore, loans to the gas industry should be at reduced rates with minimum payments, for example 10 to 30 percent of the Ukrainian National Bank's discount rate, to be paid off after the object of investment credit goes into operation and an actual return is achieved.

It is time to deal with the question of sources to finance the purchase of gas to be pumped into underground storage. If credit is the source, paying it off should be figured into the seasonal price of gas. To do so, in the system of economic relations between consumers and suppliers it will be necessary to work out a mechanism to convert to seasonal (or contract) gas prices.

Tax breaks need to be given to the gas industry on part of its profits and currency earnings if these funds go to expand production or to technical retooling. The present shortage of investment funds prevents even simple reproduction, let alone expanded, or even, sometimes, accident-free operation of the sector's power engineering facilities. Normal functioning of the sector now will require large amounts of machines and equipment, including drilling equipment, pumping units, pipes, wellhead, and Christmas tree equipment, and so on.

The way to solve this problem is to secure various sources of funds, including foreign capital. Foreign firms are getting gas through Ukraine from Russia and Turkmenistan and are therefore interested in maintaining a high technological level and reliability of Ukraine's gas transport system, so foreign investors can be attracted by creating joint enterprises, and privatizing with their participation. Moreover, in order to retain the independence of strategic facilities such as the gas transport system, the controlling shares must remain in the hands of the state. In addition, another option for solving the problem could be to shift the cost of newly commissioned fixed assets wholly to the prime cost of the product, rather than partially through amortization. The rightness of putting the task this way can be illustrated by the example of gas wells.

In order to maintain the present level and slow down the rate of production decline it will be necessary to commission new wells each year. Because in the initial period the prime cost of gas production is set low, and in the concluding period the enterprise may become unprofitable. It is now necessary to revise the present practice of figuring the prime cost of gas production and transportation and to have it include (and, accordingly, have the wholesale price include) the annual investments necessary for the work of Ukrhazprom AT and its enterprises. This is the practice that prevails in Russia's petroleum and gas industry.

The economic problems examined above need to be dealt with immediately, because the stability of the gas industry's operations will determine the stability of other sectors of the national economy. In order to speed up solutions to these problems it is time for the Supreme Soviet to pass a law on land use and minerals as regards the withdrawal of land sections to build oil and gas complex facilities.

Pynzenyk Refutes Hryvnya Introduction

954F0885B Donetsk DONBASS in Russian 11 Jan 95 p 1

[Article by Stanislav Tishchenko: "The Hullabaloo Around the Dollar"]

[FBIS Translated Text] The dollar-karbovanets exchange rate on the currency exchange in Kiev during the last several weeks has been holding relatively "calmly" at the 104,000-106,000 karbovantsy to one "greenback" mark. But something bad is occurring with it beyond the boundaries of the exchange. In Donetsk, and in the first days of the New Year in Kiev also, it jumped upward

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and reached 160,000 karbovantsy and more. By the way, it is also climbing in Russia. What is the matter?

Deputy Prime Minister Viktor Pynzenyk—our primary reformer today—in an evening program on channel UT-2 explained the situation this way. Some forces that are not interested in the stabilization of the economy are purposely spreading rumors about a sudden introduction of the hryvnya any day now for the purpose of thereby creating a hullabaloo around the currency. He called on citizens not to rush to get rid of karbovanets accumulations, and he advised keeping them on bank books in savings banks. He repeated the assurances of President of Ukraine Leonid Kuchma that the introduction of the hryvnya will in no way affect savings and that it will be conducted publicly and gradually.

On the Sunday program "Pislyamova" [Epilogue], a specialist of the National Bank of Ukraine developed the thought of the deputy prime minister in this way. Dollars and other foreign currency are being bought up in order to acquire commodities for it for hard currency stores that are still operating. After 18 February, when the official circulation of foreign currency in purchase and sale transactions will stop, they plan to sell these commodities at exorbitant prices, thereby inflating prices that are already high without this.

In a word, preparations for the introduction of the hryvnya are proceeding at full speed with one and the other side. Hot battles around our national currency are in store. Each of us will have to decide independently how to act under these circumstances: To trust rumors, or the officials.

Kuchma Adviser on Monetary Reform

954F0885A Donetsk VECHERNIY DONETSK in Russian 6 June 95 p 1

[Article by R. Stetsyura, UKRINFORM: "And the Hryvnya Is Closer and Closer; Monetary Reform in Ukraine Is Not Only Necessary in the Near Future, but It Is Possible"]

[FBIS Translated Text] The justification for such a conclusion was the statement of Anatoliy Galchinskiy, adviser to the president of Ukraine on macroeconomic questions. According to his words, monetary reform in the existing situation is one of the methods of ensuring stabilization in Ukraine's economy.

"The administration of the president stands on the fact that this process cannot be delayed any longer," emphasized Anatoliy Galchinskiy. He named a number of measures that have preparation for monetary reform as their purpose. Among these is the organization of an appropriate commission headed by First Deputy Prime Minister of Ukraine Viktor Pynzenyk and a working group for the preparation of the necessary normative documents. Anatoliy Galchinskiy became its manager. To date, already 12 legislative acts are ready, among which seven are edicts of the president and decrees of the government and the National Bank, and a joint decree of the Cabinet of Ministers and the NBU [National Bank of Ukraine].

The president's adviser gave assurances that the forthcoming reform will not be confiscatory; therefore, the problem of the date of its introduction will not be a secret. The citizens of Ukraine, in the words of Anatoliy Galchinskiy, will find out about it from a presidential edict in 10-15 days. Everyone will be able to exchange karbovantsy for the hryvnya, since this is supposed to take about two months.

As for the exchange rate, Anatoliy Galchinskiy limited himself to a digression to the distant past, recalling the existence then of the claim that "the ruble is half a hryvnya."

In the coming two weeks, Leonid Kuchma will be presented the missing normative documents that are needed to implement the imminent monetary reform, stated the president's adviser on macroeconomic questions.

Profits Tax Law Explained

954F0869A Kiev PRAVDA UKRAINY in Russian 5 Jan 95 p 2

[Article by Olga Len reprinted from VYBOR: "The Ice Has Been Broken: Thank God, Reform of the National Tax System Has Begun"]

[FBIS Translated Text] At the cost of heroic efforts, on 28 December Ukrainian Supreme Council deputies finally adopted the law "On Taxation of Enterprise Profits." I guess we should count this point as the beginning of another attempt to reform Ukraine's tax system.

"The foundation of the tax system of taxation [as published] should be comprised of three laws: on taxation of enterprise profits, on value-added tax, and on individual income tax," says Vladimir Yemelyanov, member of the Reforms deputy group and of the Supreme Council's special commission on taxation. "The first law has already been adopted; the second will be brought to the parliament floor in the second reading after the Christmas holiday; and the third is ready but has not yet been submitted for discussion. We figure that after all the changes are in place, the tax burden will be reduced by half."

The speed in dealing with these laws stems from the pressure to adopt the 1995 budget. The previous version, drafted by the Cabinet of Ministers, was withdrawn by Deputy Prime Minister Viktor Pynzenyk. The new deputy prime minister is not satisfied with the creation of his predecessors and has proposed a new ideology for forming the budget. The idea is to base budget fund distribution on state revenue rather than ministries' needs, which are, as is known, infinite. Therefore, new taxes are to become the basis of the current year's

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budget, and without approving them, the parliament will not approve the new budget.

So far one can only get a clear understanding of what the tax on enterprise profits will be. The base rate of 30 percent of net profit—45 percent on middlemen activities and 60 percent on profit from gambling business—is applied from the point ownership of the final product is transferred, regardless of the time actual payment is received. The privilege to pay taxes from the time the money arrives in the account is envisaged only for agricultural producers. Apparently, this provision in the law, as well as the fact that kolkhozes and sovkhozes do not pay tax on processing their own products, mollified agrarians in the parliament and "enabled" them to vote for the law. I want to point out for fairness sake that without their concurrence the law would not have passed. True, the agrarians demanded that they be exempted from tax on profit altogether, leaving intact only the land tax. That sort of small feudalism on the part of a kolkhoz chairman plus a complete blank as to what our dear kolkhozes and sovkhozes produce. This did not quite work out; in the final version, the commission's proposal passed: If an agricultural producer's profit does not exceed the amount of land tax, the land tax is paid (its rate has not yet been set); if the profit is higher, tax on profit is paid.

The law has another innovation: mandatory indexation of expenses and income. Thus, regardless of the date the product was manufactured, its production cost will be counted in prices at the time the tax is applied. The article on production cost, however, was almost dropped during the vote. A letter arrived from the Cabinet of Ministers, signed by Prime Minister Vitaliy Masol, with a request not to define in the law what constitutes production costs and instead leave this issue to the discretion of sectoral ministries. One can understand the bureaucrats—it is hard to part with a lucrative sphere of activities. In the parliament Masol's proposal was especially actively supported by Aleksandr Kozhushko, chairman of the commission on the fuel and power generation complex. But even despite the insistence of such a significant person, the original proposal passed: to include the main points defining production cost directly in the law.

In passing this law the executive branch displayed serious internal pluralism. On one hand, the law was submitted to the parliament by President Kuchma personally; on the other, on the eve of bringing the law to the floor in the second reading a rumor spread regarding a telephone call from Prime Minister Masol to parliament Speaker Moroz, requesting a postponement of consideration of the law and that the old taxes be left in place for the first quarter of 1995: The apparat, he said, first has to learn how to calculate the new tax. The law "On Taxation of Enterprise Profits" was included in the agenda for passage in the second reading only after several parliament factions and the chairman of the Commission on Taxation, Aleksandr Ryabchenko, put pressure on Aleksandr Moroz.

The two other aforementioned laws may, of course, still be changed beyond recognition in the course of discussion and adoption, but in the draft version they are relatively merciful: A VAT rate of 16.667 percent on taxable sales is proposed; the tax brackets with respect to individual income assume a slightly higher nontaxable minimum, but lower rates within brackets than is set by the presidential edict currently in effect. In short, we are entering the new year with only one new tax on enterprise profits. All other taxes apparently will remain unchanged over the entire first quarter of 1995. By the way, tax on profit will be entered as revenue into base level budgets. At the same time, sociocultural facilities currently on the books of enterprises are to be transferred to local councils too. It would be logical to complete the transformations in the social sphere by also transferring to the base level social withholdings that currently go into the state budget. All this is just a plan at this stage. Nevertheless, the fact that the Supreme Council has managed to adopt a new economic law attests to the feasibility of reaching a compromise in the parliament. Talk about its complete inability to accomplish anything apparently was premature.

Efforts at Privatization at Beginning Stage

954F0828A Kiev BIZNES in Russian No 51, 27 Dec 94 p 9

[Article by A. Kalnychenko: "Denationalization: Final Verdict Not Subject to Appeal? On Normative Documents of the President and the Government Designed To Accelerate Privatization"]

[FBIS Translated Text] Differences in the rate at which privatization processes are taking place in Ukraine and Russia to a certain measure are evidenced by the degree of popularity of the people who are involved in their conduct. Anatoliy Chubays, the "father" of Russian privatization, became, if not a national legend, at least a nationally known personality, whereas in Ukraine the name of the chairman of the State Property Fund, Volodymyr Pryadko, has been known only to a rather narrow circle of people—politicians, government officials, and economic workers, that is, those whose work required them to know him.

Today Yuriy Yekhanurov and Viktor Pynzenyk appear to have the chance of becoming a kind of "Ukrainian Chubays." The former, a successor to Volodymyr Pryadko, occupies the post of chairman of the State Property Fund, that is the structure which, after the latest presidential edicts, became the manager of all state property in Ukraine. The latter, as the "curator" of privatization in government, has been designated for that role by the president of the country. Thus both found themselves at the epicenter of tumultuous events, since privatization has finally become a field of serious action and clashes of interest.

As is commonly known, the process of privatization in the country has been practically stopped by the July

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decree of the Supreme Council—contracts of purchases were not concluded, the parliament kept postponing "until later" adoption of the list of enterprises not subject to privatization while unambiguously ignoring the amendment of legislative enactments on privatization prepared by the government. Now, with the start of autumn, after justified personnel changes in the Cabinet of Ministers and the State Property Fund, the attack along the privatization front began simultaneously in several directions—the State Privatization Program for 1995 made its appearance within a short period of time, in accordance with which it is planned to privatize at least 8,000 medium-sized and large enterprises, and amendments to the law on leasing were submitted for parliamentary approval, which amounts to a new version of the law coupled with changes and supplements to legislative enactments on privatization. The president signed decrees on compensation of citizens of Ukraine for losses resulting from devaluation of monetary savings in establishments of the Savings Bank of Ukraine and Ukrgosstrakh and on measures to protect the right of citizens to use property privatization certificates. At the same time, Ukraine received the first lot of printed registered certificates, which was naturally reported in the mass media and which could not help but have a certain psychological effect.

The law on leasing which, to a significant if not decisive degree, "clips the wings" of labor collectives, that the legislators addressed twice in two weeks, was never passed by them. The law on amendments and supplements was also not carried over. Today, however, this certainly does not mean what it could have meant yesterday, inasmuch as a rather interesting tendency has appeared consisting of the circumvention of enemies of privatization from the flanks.

Does the moratorium on the conclusion of purchase-sale contracts covering shares in privatized enterprises make it impossible for the creation of corporations to culminate in real denationalization?

Well, the corresponding changes are being made in the regulation on the State Property Fund, on the basis of the law on privatization papers, which make it possible to simply exchange privatization certificates for shares of the enterprise without purchase-sale transactions.

So far the ministries have not been in any hurry with the transformation of enterprises into corporations, considerably prolonging that process. Well, with the edict on protection of rights... the ministries are being practically cut off from their subordinate enterprises—management of state property of enterprises being converted to corporations is being transferred to the State Property Fund.

Organs of local authority, whose concurrence up to now was required in the privatization of communally owned facilities (which is practically the entire retail trade system, public catering, and household services) are not in any hurry to grant such approval. Well, the regional departments of the State Property Fund should be directed to publish lists of small-scale privatization in the press every month, available for sale to any individual filing an application.

It is, of course, a very complicated matter to carry out such an outflanking maneuver against the Supreme Council, but so far, it seems, the supporters of privatization are standing in a unified front, which might succeed. For instance, after the Supreme Council yet again postponed discussion of amendments and supplements which incorporate the indicated regulation on small-scale privatization, it became known that work has been accelerated in the presidential administration on an edict dealing with small-scale privatization. It is anticipated that it will be signed in the very near future by Leonid Kuchma.

It is understandable that even with the most favorable development of events, the Ukrainian Chubays followers will have more than enough problems. It is, for instance, quite evident that it will be very difficult to privatize 8,000 medium-sized and small enterprises in one year, taking into account that a commission must be created at each one of them which must include a representative of the State Property Fund and the Antimonopoly Committee (if the enterprise is a monopolist). Even if one imagines that several hundred personnel of the fund and the committee give up sleeping completely, that would still be difficult to accomplish. In the opinion of Nikolay Shcherbyna, chief of the privatization sector of the Cabinet of Ministers, for instance, in essence it would be possible to get by without those commissions in privatizing an enterprise based on its book cost. A decision, however, has been adopted and it must be fulfilled.

Many questions have also appeared connected with indexation of the funds of the population and their channeling into privatization. Where, for instance, is the money to come from for the printing of certificates (according to some preliminary estimates, that will cost $20 million)? What is most important is that the indexed investments are drawing close to 300 trillion in property, while all citizens of Ukraine will be receiving our ordinary property certificates worth around 50 trillion. Also, what can be done about the fact that 2.2 percent of the largest investors (those with 100,000 or more karbovantsy) had 15 percent of the savings—in other words, thanks to the edict, we will make major capitalists out of a few percent of the population, leaving the others with their paltry share of property worth a million or fifty thousand. The situation is also far from ideal with property remaining in the possession of the government.

How is it possible to interest directors, managers, and the workers of these enterprises to work with profit if dividends have to be paid to the government?

According to Aleksandr Borodavko, head of one of the departments of the State Property Fund, the FGI [State Property Fund] proposes creation of a fund for management of dividends yielded by shares of enterprises being

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privatized so that a significant portion of the proceeds are reinvested in production. The Ministry of Finance, however, insists on making certain that all dividends go into the budget, that is, the enterprises will actually be taxed twice.

In other words, judging by everything, privatization battles are just beginning. Mutual understanding existing within the team of privatization proponents, which was already mentioned, inspires certain confidence. Viktor Pynzenyk, for instance, who introduced a number of important amendments of his own in the draft law on changes and amendments, prepared by the Cabinet of Ministers (in particular, he proposed exclusion of the principles of equality of citizens of Ukraine in privatization, creating societies of purchasers, while eliminating expert evaluation of the share of state property in enterprises with a mixed form of ownership together with the transfer of social-cultural facilities to collectives free of charge), succeeded in convincing Yuriy Yekhanurov of the feasibility of such amendments, thereby avoiding contradictions in one camp.

A unification of effort, it seems, is also inevitable in the other camp as well. According to the evaluations of many experts, yet another postponement of the discussion of the law on leasing by the Supreme Council was far from accidental, inasmuch as Aleksandr Moroz sees the leaseholders as a powerful force on which it is possible to rely, which means there is no harm in coordinating positions. Therefore without any doubt the battle for privatization will not lack eventful situations.

Issues Involving Commuter Labor Force Viewed

954F0829A Kiev BIZNES in Russian No 51, 27 Dec 94 pp 1, 5

[Article by Tatyana Petrova, candidate of economic sciences, under the rubric "Social Cross-Section": "Eternal Wanderers, or the Pendulum Migrants on Ukraine's Labor Markets"]

[FBIS Translated Text] **Every day more than a million inhabitants of the villages and settlements of Ukraine go to work in the cities. These are the pendulum migrants, to whom on the average one out of every five able-bodied rural inhabitants in the country belongs. Who are these people? Where are they going and where do they come from? What problems disturb each of them and what is the role of pendulum migrations in the shaping of supply and demand for work force on contemporary labor markets? We tried to answer these and some other questions in this article.**

Pendulum migrations are characterized by a constant territorial axis and a clearly expressed labor orientation, and they adjust supply and demand for work force when the structure of the settlement pattern is unchanged.

While in economically developed countries, the existence of pendulum migrations is dictated, among other factors, by the desire of working people who work in cities to live in suburban areas, unique kinds of "bedroom communities," in Ukraine (as in most CIS states) a different feature is typical of pendulum migrations. They are above all the result of the fact that industrial enterprises were built without enough thought and without taking into consideration the human factor. To put it simply, no one calculated how many working hands would be needed and where they would come from. So enterprises of the agroindustrial complex, and not just those, were built in cities to the detriment of rural populated points. In addition, the lack of work in their specialization, an unsatisfactory wage level, and so forth encourage people to make work trips every day.

Naturally, the economic crisis in the country only aggravates the problems of pendulum migrations. The realities of today, unemployment and partial employment, on the one hand, aggravate the questions of the wisdom and efficiency of work trips.

And on the other hand, an altogether new problem needs to be resolved—the problem of finding work for the pendulum migrants left without work.

The potential for real employment of these people will to a significant degree be determined by the use of their labor (when necessary, when they are overqualified) at enterprises of the collective and private forms of ownership, whose creation must be encouraged. Otherwise, an army of new unemployed will create a powerful force of work potential rejected in the region and will replenish the ranks of seasonal work migrants (migrant workers) who go to work in other regions of Ukraine and outside its borders on a temporary basis.

The estimated number of pendulum migrants has been set by the state statistical organs of Ukraine at the level of 1.3 million people. But I should mention that the Ministry of Statistics often has insufficiently accurate information. Thus, for example, according to its data, the regional parameters of pendulum migrations in 1993 did not change as compared to 1992, which, taking into consideration Ukraine's extremely dynamic slide into a pit of crisis, obviously does not correspond to reality.

The number of pendulum migrants in 1993 as compared to 1992 undoubtedly declined, while in 1994 the number of daily work trips declined, according to our estimates, by at least another 15-20 percent. The reasons for this are the cutback in production and the change in specialization of the places where work is offered, the definite occupational reorientation of the migrants themselves in connection with the needs of the labor markets, and the imbalance (technical and economic) of the transport system.

Materials of special periodical surveys provide the most reliable information on pendulum migrations. However, the last of these was dated 1990, so annual data on the number of pendulum migrants tabulated by the Ministry of Statistics of Ukraine are the only source to allow us

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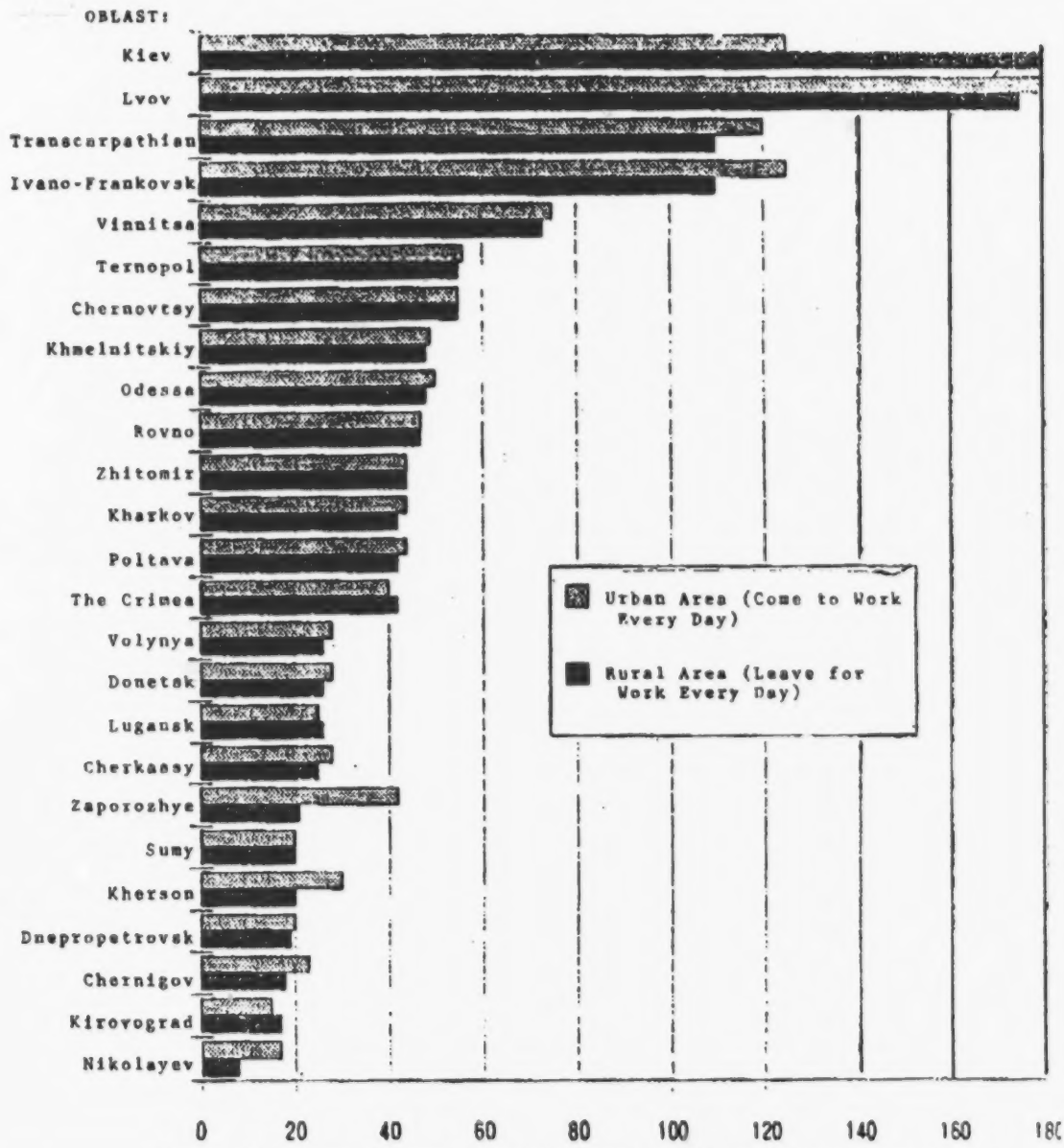

Number of Pendulum Migrants in Ukraine's Oblasts in 1993, in thousands of people

(though somewhat cautiously) to ascertain the scale and regional proportions of work migrants (see diagram).

The most active traveling laborers are inhabitants of Ukraine's western oblasts and some major agglomerations of the country, above all, the Kiev agglomeration, which "supplies" up to 190,000 able-bodied migrants to the capital every day. The large scale of the migrations in the western part of Ukraine is related both to significant irregularity in the territorial location of production, and to the priority of rural resettlement in this region. Here the last factor, superimposed on the strained housing problem, helps expand the scale of pendulum migrations. The customary settlement pattern of the rural

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inhabitants of Ukraine's western oblasts who have fairly good living conditions makes interest in obtaining housing at the place of work secondary and thereby turns the constant trips from the countryside to the city into a tradition.

In terms of migration activity, Ukraine's regions may be divided into three groups. The industrially developed southeastern and southern parts of the country, where the proportion of pendulum migrants in the able-bodied population is the lowest and is no greater than 5 percent, is the most inert one, so to speak. In the central regions, this proportion varies between 5 and 10 percent of the labor potential of cities. Rural migrants constitute the most appreciable competition on the labor markets for urban citizens in the western oblasts, especially in Ivano-Frankovsk and the Transcarpathian oblasts, where visitors constitute up to one-quarter of the able-bodied population of the cities. But on the average, pendulum migrations "withdraw" one out of every five able-bodied residents from rural areas to the benefit of the cities.

But just who is the average statistical migrant? Materials of a sample survey in Ivano-Frankovsk Oblast will help us answer this question. The number of men and women in the pendulum flows is fairly proportional, with an insignificant preponderance of the latter. Three out of every 10 male migrants are under 30 years of age, while 6 out of 10 are 30-50 years of age. But then among female "pendulumers," these age groups are virtually equal (45 percent of the flow each).

More than four-fifths of all visitors are employed at enterprises of the production sphere; that includes 70 percent in industry. One-third of the employees have under 5 years of labor service at "their" enterprises and almost 1 out of 2 has from 5 to 15 years, while 1 out of 4 has more than 15 years.

About 70 percent of the pendulum migrants are workers. One out of five has special education and is in state service. Six percent of the pendulum migrants hold executive posts. On the average, every "wanderer" spends 1 hour getting to the work place. But that is on the average.

The main reasons given for the forced trips are the following: the lack of work at the place of residence (44 percent of all those surveyed), the impossibility of finding employment in the given specialization (31 percent), and dissatisfaction with the level of wages (26 percent).

Every settlement which has jobs creates its own areals for pendulum migrations, the size of which is determined by the settlement's place in the region's hierarchical socio-economic structure. And the degree of remoteness of the migrants' housing from the places where work is offered is directly proportional to the size of the regional labor markets, that is to say, when the economic rating of the settlement diminishes, the radius of the pendulum migrants' trips declines as well.

It is interesting to note that the areals of the pendulum migrations in most oblasts of Ukraine were formed within the boundaries of administrative borders. That is to say, the "wanderers"—this is especially apparent in Sumy, Zhitomir, Rovno, and Chernovtsy oblasts—as a rule worked within the boundaries of "their" oblasts. Unlike them, the migrants of Chernigov, Kherson, Zaporozhye, and Nikolayev oblasts are more restless. From 40 to 70 percent of them go to neighboring oblasts to work. And the cities of Kiev Oblast, where one out of three pendulum migrants is an inhabitant of other oblasts, is the undisputed leader among the recipient oblasts.

In this way, the basic features of pendulum migrations in Ukraine were formed in conditions of the administrative-command system of management and reflect the shortcomings characteristic of that. The present system of work trips are largely reminiscent of "patching" holes in the regional structure of employment.

In conditions of a market, a new approach to determining the role of work migrations in the territorial-sectorial regrouping of the able-bodied population is essential. And in the transition period (especially one as tough as the one we have in Ukraine now), including migrations in the system of labor market relations presupposes a sensible combination of approaches for managing the pendulum migrations which have become fixed and the principles of new economic policy, so that not only do we alleviate the "blow" of the market on a purely humane basis, but in addition we do not little by little lose the positive particles of experience in regulating work migrations which we have.

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Armenia

Less Than Half of Republic's Industrial Enterprises Operating

954F0894B Yerevan RESPUBLIKA ARMENIYA in Russian 12 Jan 95 p 1

[Unattributed report: "One Hundred Twenty-Eight Enterprises Operating"]

[FBIS Translated Text] The Armenian Republic Ministry of Industry reports that out of 350 industrial enterprises in the republic, 128 are operating as of 10 January. According to reports from the same source, operations were scheduled to begin at 43 additional enterprises on 11 January, this being possible thanks to increased energy limits allocated to these enterprises by the government, NOYAN TAPAN reported.

Success, Problems of Dram Examined

954F0879A Yerevan RESPUBLIKA ARMENIYA in Russian 11 Jan 95 p 2

[Article by Sed Marsed under the rubric "Money": "The Dram—The Disappointment, Success, and Hope of Armenia"]

[FBIS Translated Text] The first year of existence of the Republic of Armenia's [RA] national monetary unit—dram—is history. During this period of time, it has traveled the road from being an unstable currency to a monetary unit, whose stability qualified the country for International Monetary Fund's and World Bank's loans. Let us review the road of the Armenian dram coming into age. Conditionally, but with good economic logic, this one-year stretch may be divided into three phases.

The first phase: November 1993-March 1994—is characterized by an unforeseen and sharp devaluation of the dram in relation to both U.S. dollar (at the rate of 60 percent a month) and RF [Russian Federation] ruble (at the rate of 30 percent a month).

What were the causes of such a sharp decline?

1. Apparently, because of the forced, unprepared, and untimely (at winter time) introduction of the national monetary unit, dram's rate of exchange in relation to the American dollar set at the time of introducing the national currency as 14.7 drams per $1, was unjustifiably high. What manifested in this was, on one hand, both the "romanticism" typical of practically all spheres of the initial period of establishing independent statehood, and on the other—approaches not based on a market mechanism of determining the dram exchange rate the way it is done in civilized countries.

2. Undeveloped infrastructure of market mechanisms of foreign currency regulation in Armenia.

3. Difficult economic situation in Armenia due both to the blockade of major trading routes and a sharp disbalance between export and import in the republic economy.

4. Lack of experience on the part of the Central Bank [CB] of the Republic of Armenia, as a result of which the CB RA, acting for the first time in the role of an issuer of the national monetary unit, committed a number of tactical errors.

The second phase: April-September 1994. This is the phase of the dram's stabilization. It is characterized by the stabilization of the exchange rate and, during certain periods, also a certain devaluation of the dram both in relation to the U.S. dollar (at the rate of 0.5 percent a month) and RF ruble (at the rate of 2.5 percent a month). Over this phase, the RA dram behaves like one of stable currencies of the former USSR countries, which strengthens confidence in the RA dram outside Armenia and, which is even more important, inside Armenia. Most remarkably, this was achieved through utilization of internal resources without any interference or aid on the part of international financial institutions (the IMF, the World Bank, the EBRD [European Bank for Reconstruction and Development], etc.).

Let us look at the causes of stabilization.

1. The new strict monetary policy adopted by the new CB RA leadership jointly with the government and the Ministry of Finance created the foundation for stabilization and, as a result, adoption of the basic principles of market mechanisms of foreign currency regulation—in particular, adopting the exchange rate of the RA dram in relation to the U.S. dollar and RF ruble registered at the Yerevan Stock Exchange [YeFB] trading as the official exchange rate of the RA Central Bank.

2. A certain "recovery" of the Armenian economy, in particular, halting decline in the main industry sectors; pickup in trade stemming both with the expansion of trade with Iran and the relative temporary stabilization in Georgia; and increase in cargo traffic to the republic.

3. Strategically skillful actions of the MID [Ministry of Foreign Affairs] and the Artsakh leadership resulted in a cease-fire in the Karabakh conflict zone, which contributed to the stabilization of economic and political situation.

4. Increased professionalism of Armenia's financial institutions in market conditions, national monetary unit's behavior and, as a result, squeezing out of the market (the beginning of the bankruptcy process) unprofessionally operating organizations.

The third phase—September-December 1994. The phase that supports the thesis of gradual strengthening of the national monetary unit in all countries. As applied to the dram, this phase, in our opinion, is associated with the following factors.

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1. Recognition of the exchange rate of the dram in relation to their currencies by central and national banks of the Commonwealth of Independent States countries (Russia, Belorussia [Belarus], Lithuania, Latvia, Ukraine, etc.; a positive appraisal by the national president of the sum of activities of the government and Central Bank, which allowed the work to intensify on bringing in international financial institutions, which switched from aid programs to loan cooperation programs with the government, Central Bank, and Ministry of Finance; high professional level of operations at the YeFB (the second in CIS countries).

2. Thanks to the professional actions of the CB and YeFB, the Armenian dram, unlike many other currencies of CIS countries, practically did not react to the events of "Black Tuesday" in Russia. In October, the dram devalued in relation to the U.S. dollar by 6.2 percent (for comparison, the exchange rate of the ruble in Russia dropped by 30 percent), and in relation to the ruble the dram even strengthened its positions (the change measured +16.9 percent).

3. In the fall, due to higher seasonal activities, as well as credits made available to the CB and the Ministry of Finance, and state expenditures exceeding revenues that fall on the fall-winter period, the rate of dram devaluation increased somewhat (by 6 percent in relation to the dollar). This causal correlation is supported by the subsequent fact of the dram recovering again in December.

4. Despite the December increase in bread prices and electric power rates, the regulated devaluation of the dram (at the rate of 2-4 percent a month) contributed to a tremendous extent to the increase in the population's and business circles' confidence in the national currency, despite opposition's pessimistic forecasts in the parliament of 600, 700, or 800 drams per dollar in December.

Summarizing the above, one may say that 1994 turned out to be a year of maturing for the Armenian dram, which represents one of the attributes of statehood and by this alone will become a part of the modern history of Armenia.

Ramkavar Party Says ARF Ban 'Dangerous Precedent'

954F0894A Yerevan RESPUBLIKA ARMENIYA in Russian 12 Jan 95 p 1

[Unattributed report: "Ramkavar Declares..."]

[FBIS Translated Text] ...that "the presidential edict on suspension of the activity of the ARFD [Armenian Revolutionary Federation—Dashnaktsutyun] is creating a dangerous precedent, may inflict damage to the international prestige of the Armenian Republic, to the principles of a law-governed state and democracy, and may result in bringing to fever pitch the already tense sociopolitical atmosphere in the republic. This is advantageous neither to the authority nor to society in general. Law enforcement organs have the right, within the framework of the law and legality, to investigate the activity of any organization, group, or individual persons and, in the event sufficient grounds are present, to bring the matter to court."

The declaration also states, NOYAN TAPAN reported, that the PRAA [Ramkavar Azatakan Party of Armenia] considers worthy of severe condemnation the seizure of power by unconstitutional, violent methods on the part of any group or political force, the establishment of secret structures, the narcotics business, and political terror and reconnaissance in economic, military, and other structures of the state and of the people.

Azerbaijan

National Bank Head Views Currency Stability Prospects

954F0881D Baku GUNAY in Russian 11 Jan 95 p 2

[Unattributed report under the rubric "Economic News": "How Long Will the National Bank Be Able To Support Manat?"]

[FBIS Translated Text] "The National Bank of Azerbaijan is capable of supporting a stable rate of manat in the first quarter of 1995, since it has used up only half the available resources," said the National Bank's Vice President, Fuad Akhundov. However, in his opinion, if production in the country continues to decline and questions of payments and export-import balance, as well as the problem of capital flight are not resolved, naturally, the foreign currency situation will change, and not in favor of manat.

Russia To Return Republic's $37 Million

954F0881C Baku GUNAY in Russian 11 Jan 95 p 2

[Unattributed report under the rubric "Economic News": "Will We Finally Get Our 37 Million?"]

[FBIS Translated Text] The Russian Federation, as a legal successor to the USSR, undertook the responsibility to pay to Azerbaijan $37 million in connection with the fact that, after the disintegration of the USSR, all accounts of the former union republics in the Vneshekonombank [Bank for Foreign Economic Activities] were frozen. According to Eyob Agayev, chief accountant of the International Bank of Azerbaijan, this long-awaited decision was adopted in the middle of December in Minsk at the meeting of authorized representatives of CIS countries on the problem of settling the internal foreign currency debt of the former USSR.

In keeping with this decision, Vneshekonombank depositors (physical and legal persons) in addition to the aforementioned amount will also receive a 2-percent annual interest accrued since 1991. However, the Russian Federation Ministry of Finance says that it does not

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have enough money for these purposes and in all probability Russia will offer a credit option or will take the road of gradual repayment of debt in the form of foreign currency.

At this stage the parties are ready to resolve the issue of paying off the debt to physical entities. In order to settle the problem of internal foreign currency debt of the former USSR, legal entities must hold separate negotiations of CIS authorized representatives.

Aliyev Fires Customs Committee Head

954F0881B Baku GUNAY in Russian 11 Jan 95 p 1

[Unattributed untitled ANS-PRESS report]

[FBIS Translated Text] **By the republic president's edict "On the Work of the State Customs Committee of Azerbaijan,"** Customs Committee chairman Takhir Aliyev was relieved of his duties. The action was necessitated, the edict says, by the committee head's incompetence, as well as serious errors in organizing the work of the agency entrusted to him and personnel policies.

New Presidential Special Administration Chief Named

954F0883A Baku GUNAY in Russian 11 Jan 95 p 1

[Unattributed untitled ANS-PRESS report]

[FBIS Translated Text] **By Geydar Aliyev's edict,** Elman Bakhlul oglu Ganbarov was appointed chief of the Special Administration under the President of Azerbaijan.

Let us remember that this important position had been vacant since the end of last September, when E. Ganbarov's predecessor--Shamsi Ragimov—was killed.

Turkic Unity As New Political Reality Viewed

954K0417A Baku AZADLYG in Azeri 27 Oct 94 p 5

[Article by Fuad Hesenoghlu: "Will Turkic Unity Turn Into the New Political Reality?"]

[FBIS Translated Text] **The emergence of Turkic states in the region of the former Soviets has caused qualitatively new geopolitical changes on the Asian continent. Until recent times, these countries were deprived of both the necessary ties with the foreign environment and among themselves. Present international conditions are turning the strengthening of the integration processes among these Asian countries into an urgent problem of the day.**

During the second summit meeting which was held in Istanbul, Russia's disturbance about these rapprochement tendencies was one of the subjects turned into the object of discussion by the foreign press. The basic issues "which disturbed" certain circles in Russia was the fact that "tendencies to an ethnic unification" were revealed. First, we should note that the discussions were not about A SINGLE TURKIC STATE from the point of view of future prospects, but of the establishment of a UNION OF TURKIC STATES. Second, the existence of tendencies toward ethnic unification are by no means a harmful process; on the contrary, natural factors leading to rapprochement will stimulate the normal development of inter-state relations. For example, one can point to the Association of Arab States which is an international regional organization. We would also remind you that three Slavic republics were the first to sign the Agreement of 8 December 1991 on the establishment of the Commonwealth of Independent States. Why are tendencies for ethnic rapprochement good for Russia's ruling circles and bad when these tendencies are not there?

S. Demirel, then prime minister of Turkey, suggested the convening of a regular meeting of Turkic heads of state during his journey to Central Asia in May of 1992. The first summit meeting was held in that same year on October 30-31 in Ankara. It was planned to hold the second meeting in Baku. But [words illegible] the fact that the leadership of Azerbaijan was pursuing a line of rapprochement with Russia made the holding of this meeting impossible. The second summit, held on October 18-19 took place under relatively new international conditions. These conditions, primarily, can be characterized by Azerbaijan's signing the agreement with the consortium of foreign oil companies and the sharpening of the debate over the status of the Caspian Sea. It seems that Russia's irritation about this meeting is also connected with these factors. Important processes taking place in the international arena found their reflection in the Istanbul declaration signed at the end of this meeting. Since the declaration has been published in the press we wish to note the important points highlighted in this document:

—respect by the countries for the principles of the UN and the CSCE; their support for the principles of democracy, respect for human rights, secularism, social justice and a market economy;

—the development of all-around cooperation in the political, economic, cultural and other sectors;

—the solution of regional problems within the framework of the UN and CSCE;

—the peaceful ending of the Armenia-Azerbaijan conflict on the basis of the relevant resolution of the UN Security Council;

—the exploitation of natural gas and petroleum resources and their emergence on the world market, the continuation of cooperation in the sector of the laying of oil and gas pipelines to Europe and the Mediterranean Sea through Turkey.

One of the questions which is at the center of attention in the context of the new geopolitical changes that have occurred in past years is the relations between Azerbaijan and the Central Asian states. Discussions held during the summit revealed that these relations have not

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always been smooth. These are the factors preventing the development of relations between Azerbaijan and Central Asia at a high level:

—the fact that Russia is keeping these states under its influence and Russia's periodic pressure on these states to regulate their foreign policy in the way it wants;

—the fact that the status of the Caspian Sea is still unresolved;

—the existence of a problem of democratic reforms in the countries we have mentioned.

Because the first factor is clear, let us begin with the second factor. The fact that the presidents of Kazakhstan and Turkmenistan approached the question of the status of the Caspian Sea cautiously was felt at the summit meeting. This is what N. Nazarbayev said at the press conference: "...It is unnecessary to turn this issue into a subject of conflict especially because all these countries are in the United Nations." First, we would note that not all the CIS states are in the United Nations. In addition, the question of the status of the Caspian Sea must be resolved by taking into consideration international legal norms and the sovereign rights of every state. In other words, there is no relevance of this issue to the CIS. Turkmenistan's president S. Niyazov went even further and proposed that "if we are unable to determine the status of the status of the Caspian Sea now, we have to create a consortium that will be able to make an agreement on major projects by taking into consideration to interests of every country." Why a new consortium is needed at a time when Azerbaijan has signed an agreement with the consortium of foreign oil companies is still unclear.

In Istanbul H. Aliyev stressed that "because of mistakes made by Azerbaijan's earlier leadership, there are not the desired relations with the republics of Central Asia." [several lines illegible]

On one hand, this idea is connected with the third factor we have mentioned above. At the same time, we cannot forget the role of the first factor in this issue. It is only natural that in connection with the slow course of democratic processes in Central Asia that there would have been decided differences of opinion between the democratic government of Azerbaijan and a number of Central Asian leaders. Similarly, there is another point that could have a definite influence on these relations. Throughout this entire period not one of the leaders of the Central Asian republics has said that Armenia is a aggressor state.

Finally, we would note that as the integration processes gain strength among the Turkic states in the light of the geopolitical changes which are occurring, it can be expected that these processes have an influence on the life of other Turkic peoples and republics, and that Russia, Iran and China which border this region will participate actively in these processes. These tendencies are revealing themselves now. As a result of the deepening of economic ties, in Tatarstan's foreign trade the share of the United States is 25 percent, Germany 13.2 percent, and Turkey 12.3 percent. Similarly, tendencies in the direction of economic cooperation between the Central Asian republics and China are broadening. As to the notion of the states refraining from Turkic solidarity from a political point of view, one should note that it was particularly stressed that the summit's tendencies toward solidarity and unity were not directed against any third state.

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Estonia

Official: Half of Finnish Goods Escape Customs

95P20351A Helsinki HUFVUDSTADSBLADET in Swedish 20 Dec 94 p 12

[Unattributed article: "Estonia Careless With Customs Collection"]

[FBIS Translated Text] Only half of the goods being exported to Estonia from Finland goes through Estonian customs, wrote the newspaper EESTI SONUMID on Monday [19 Dec]. The newspaper has come to this conclusion by comparing statistics of Estonia's and Finland's customs services.

The situation most of all worries Estonian agricultural producers. The chairman of the Estonian Food Producers Association, Cardo Remmel, stated in an interview that the black market trade is the greatest enemy of Estonian producers. The goods coming into Estonia escaping customs lower the prices for domestic products and the state loses millions in unpaid customs duties.

According to the association's statistics, food products are brought in without paying customs also from other countries, mainly Russia. Finland is Estonia's largest trading partner. In the period January-April, a little over 23 percent of Estonia's trade was with Finland. In second place came Russia, with barely 22 percent, and Sweden was third with a little over 9 percent.

Policeman Arrested in Gang Smuggling Incident

95P20352A Helsinki HUFVUDSTADSBLADET in Swedish 17 Dec 94 p 9

[FINNISH NEWS BUREAU/TIDNINGARNAS TELEGFAMBYRA report: "Police Murderers Arrested in Estonia"]

[FBIS Translated Text] (Tallinn) Two young traffic police officers in Estonia were killed and a third received serious gunshot wounds when a truck with stolen Polish vodka was halted in a traffic check on Thursday [15 Dec] near the town of Paide, a hundred kilometers south of Tallinn.

Nearly all of the gang members handling the stolen vodka was seized the next day. Among those arrested was a policeman who had been driving a car helping escort the load of vodka.

Estonia's entire police corps, reinforced with military units and Home Guard [Kaitseliit] units, was engaged in the largest criminal hunt ever conducted in the country. For a 24-hour period, all entrances to the larger towns were kept under tight control. Border crossings were closely guarded and roadblocks were set up everywhere.

The events had their start on Thursday, when the traffic policemen had stopped a truck and a following car for inspection. The driver of the truck showed his papers, but when the police wanted to inspect his load, one of the men opened fire.

A 22-year-old policeman was killed immediately; two others were carried to the hospital seriously wounded, where one—a 28-year-old father of two children, later died. The third has bullet wounds in the jaw and hand, while a fourth saved himself by hurling into a ditch.

The firing was heard a couple of kilometers away in Paide, where a car patrol from the local police station immediately drove out to the scene. The police car pursued the truck south toward Tartu, until it turned off onto a side road. It was so slippery there that the chase came to an end. The driver of the truck then jumped into a car driving on the same road and disappeared.

In a car which was stopped at the same time as the truck sat a Russian policeman from Tallinn. Some seven or eight persons were found in the two vehicles.

Several Gang Members Arrested

The large manhunt was called off on Friday [9 Dec], and the police are very satisfied with the results. "The operation was very successful," said Jaan Toots of the Central Police Directorate, to the Estonian news service ETA.

"Almost all of the crime syndicate's members have been seized. It is possible that a couple of them are still free, but we expect to also get our hands on them. None of them have Estonian-sounding names," he added.

During the raid a large number of suspected criminals and other individuals wanted by the police were also arrested. In one car a man was found wearing a stolen police uniform. The fake policeman moreover had quantities of equipment such as signal lights, roadblock signs and other items used in traffic checks.

"We intended to collect some small fines from motorists," stated the man and his companions.

The gang members were seized at several locations around Estonia, from Tallinn in the west, to Mustvee along Lake Peipus and the Russian border in the east.

They are suspected of a series of alcohol thefts and organized smuggling of alcoholic drinks. It has also previously occurred that police, or militia [under the Soviet period] have allied themselves with criminal gangs.

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